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HON. J. H. WALKER,  
OF MASSACHUSETTS.

THIRTY YEARS MEMBER OF,  
EIGHT YEARS FIRST REPUBLICAN NAMED ON,  
AND FOUR YEARS

CHAIRMAN OF COMMITTEE  
ON  
BANKING AND CURRENCY,

NATIONAL HOUSE OF REPRESENTATIVES.

1898-99.

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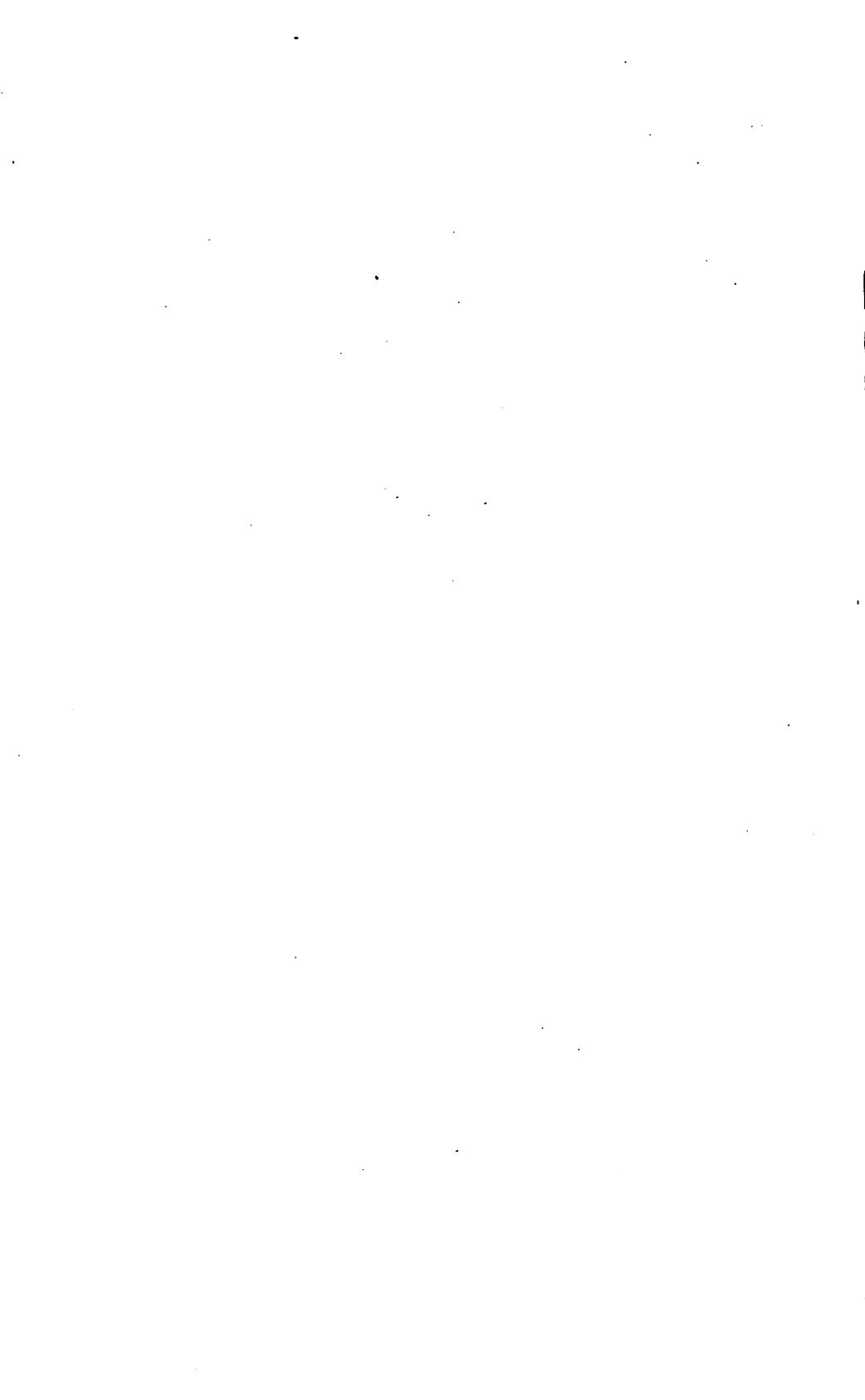
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TEN YEARS  
OF  
Treasury, Banking, and Currency Reform.

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INDIANAPOLIS COMMISSION.

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SPEECH  
OF  
HON. JOSEPH H. WALKER,  
OF MASSACHUSETTS,  
IN THE  
HOUSE OF REPRESENTATIVES,

FRIDAY, MARCH 3, 1899.



WASHINGTON.  
1899.

77332



## Banking and Currency.

### S P E E C H

OF

HON. JOSEPH H. WALKER,

On the financial, banking, and currency question, the history and present condition, etc., of the reform of our Treasury—

Mr. WALKER of Massachusetts said:

Mr. SPEAKER: I must claim the indulgence of the House more than ever before, for I have a cold so severe that I can hardly articulate, and am otherwise indisposed. I wish after occupying thirty minutes to be notified, that I may yield twenty minutes to anyone who desires to reply; and then I will occupy the other ten minutes, making the hour, of course subject to interruptions at any time by privileged reports or questions.

Mr. Speaker, the time has come when my own self-respect, a decent regard for the opinions of my associates on this floor, my duty to the House, to the country, and to the great cause of Treasury, banking, and currency reform requires me to speak in the discharge of the great duties committed to me in the commission I received from the House through the Speaker in my appointment as chairman of the Committee on Banking and Currency four years ago, and ten years ago as a member on that committee. It so happens that gentlemen with pet measures have been carried away by their enthusiasm to do and say many things wholly unworthy of them, and many of them without any foundation in fact. I will send to the desk and ask to have read one or two extracts from newspapers.

The Clerk read the extracts, as follows:

[Worcester Gazette, January 26, 1899.]

#### AN OBSTACLE TO CURRENCY REFORM.

[From the Providence Journal.]

Now that the Hon. Joseph Walker, though a sound money man, is appearing in company with the silverites in opposition to currency reform measures before the House committee, we may feel a new satisfaction that he was not returned to the next Congress. As a private citizen he may exploit his currency idiosyncrasies without much harm to anybody; as a Member of the House he was an obstacle to the consummation of currency reform.

[New York Evening Post, January 3, 1899.]

Mr. WALKER of Massachusetts is a man who is always "on the off side." A professed friend of currency reform, he has, by his "crankiness," done more to thwart progress than any silverite in the House, and it will be a great gain for the cause of sound legis-

lation when he surrenders his seat to the gold-standard Democrat who beat him for reelection last fall.

[*New York Evening Post, January 24, 1899.*]

**THE CURRENCY-REFORM MUDDLE—TWO HOUSE COMMITTEES NOW STRUGGLING FOR CONTROL OF THE QUESTION—PROSPECTS FOR LEGISLATION ARE VERY FAINT.**

*WASHINGTON, January 23, 1899.*

The currency reform situation in Congress is assuming a phase that is almost farcical. A meeting of the committee was called to consider Mr. Van Voorhis's bill. The result was something like a ward caucus. Every member who has a bill of his own began to declaim upon its merits, while Chairman Walker vociferated that the Walker bill was the only currency measure worth considering, and that all the others were humbugs, brandishing meanwhile the report he made last session, and challenging the whole world to controvert its arguments. When the hour for adjournment was reached, it turned out that the whole session had been consumed in a noisy debate, and that no action whatever had been taken.

**MR. WALKER NOT IN WASHINGTON.**

Now, Mr. Speaker, the last extract was not from a regular correspondent, but a visitor in Washington not specially favorable to the Indianapolis Commission or to the bill prepared by it, or to any bill in the committee. But it shows the atmosphere of this Capitol, pervading the whole of it, toward me and my attitude toward this great reform that I inaugurated ten years ago, and for four years was the only advocate of in this broad country until the Baltimore plan was formulated on October 11, 1894. That gentleman simply observed this attitude toward me as he came into the atmosphere of the corridors and in the House.

Not only was his statement untrue, but I was not even in the city at the time. I was in New York on the very day that he said I was guilty of the practices and of the things that are there described. It is not to me they should be ascribed. I do not call him to account; I do not say that he is not a thoroughly honest man. I believe that had I myself or my nearest friend come to Washington, as he did, to investigate the situation, I should have written practically the same libelous things. Let me call the attention of this House to the membership of the committee. They will remember that the gentleman from Connecticut [Mr. HILL] is a member of that committee; that the gentleman from Indiana [Mr. JOHNSON] is also a member, and the gentleman from Tennessee [Mr. COX] is a member and wants his full rights, and this while it has no Sergeant-at-Arms, who renders such efficient assistance in debate to some members on this floor.

Mr. COX. That is what I am going to have.

Mr. WALKER of Massachusetts (continuing). I would like to know whether order can be maintained. There has been a purpose to make it appear that the reason why measures referred to that committee have not succeeded was because the chairman of the committee was the unreasoning obstacle. Let us review the situation.

**FIRST STEPS FOR BANKING AND CURRENCY REFORM.**

I was elected to this House in 1888. I had written a little monograph on "Money, Trade, and Banking." When I found I was elected I took that up and read it carefully, until I came to the description of national banks. Remembering that I had struggled

longer to justify the present organization of the national banks than any other thing in the book, I looked it over again, and before entering this House in December, 1889, I had made up my mind that the national bank law was more oppressive, unjust, and deleterious legislation to the country than all other laws on the national statute book put together.

After the committees were appointed in January, I went to the chairman of the committee, the Hon. George W. E. Dorsey, of Nebraska, and stated my views on the question, and urged that the duty rested upon him to prepare a bill that should reform the inequalities, that should release us from the robbery that is being perpetrated, especially upon the farming and sparsely settled districts of the country. I talked with him several times, but failed to impress him with the importance of the measure. I then went to the Hon. John Sherman, then a member of the Finance Committee of the Senate, whose acquaintance I had made. I had received from him and sent him many articles and speeches on the question of banking and currency, and always visited him when in Washington. I tried to interest him in this great reform. He replied that the bonds were being rapidly paid, and that it was a great task to legislate so as to still continue the great national banking system; that he saw no relief; that we probably must give up the national banking system and go back to State banks.

I suggested to him that I did not think that was at all necessary; that the national system could be easily saved without bonds; but he declined, saying that he was unwilling to undertake that great task. And no wonder. The obstacles that confronted Alexander Hamilton and Albert Gallatin when we inaugurated our Government, or John Locke and Sir Isaac Newton in England in reforming her money, etc., were not a tithe of what confronts any man who will undertake the task here. We have a sound currency in that all the money is kept at par. Ours was confessedly unsound in 1792, as was England's in Locke's time. Its fault is in being fearfully wasteful and also promotive of panics and industrial depressions. Therefore the first duty that this country ought to attend to, when the people will allow us to do it, is to reform its treasury, banking, and currency system.

#### A REMEDY OFFERED.

Upon the request of the chairman of the committee, Mr. Dorsey, I commenced this great task alone and wrote a bill. I never yet, boy or man, have criticised any existing condition of things or measure without offering a remedy. And until I am ready to offer a remedy I will not do so. According to my notion, it is not honorable for a man to find fault who can not or will not undertake to suggest a remedy for the evil he deprecates. I introduced it in the House on April 1, 1890. From that day I have continued to study, work upon, change, and improve that bill to the present time, and it is now H. R. 10333.

#### GROWTH OF THE REPORT OF THE COMPTROLLER OF THE CURRENCY.

Not only that, but I want to say to this House that I have not only worked night and day upon this great reform, but the day I entered Congress that [holding up a book] was the whole of the first volume of the Report of the Comptroller of the Currency—330 pages—and that had been very largely increased in size and in the facts presented by my solicitation of facts from the Comptroller of the Currency and of information on this great question long be-

fore I was a member of this House, which the Department then could not furnish. It was through my solicitation and suggestion, writing to Hon. John J. Knox, that the first reports of the daily bank clearings were published some twenty or more years ago. If there has been any additional information comprised in any of these volumes that has not largely grown out of my suggestions I am not aware of it.

The report for 1898 contains 812 pages. There are no reports published by any government on the face of the earth that approach ours in fulness, accuracy, and importance.

From the time Mr. Eckels came into the Department until he went out of it we were in continual conference. He held one report back for a month in order to furnish in it many pages of what I solicited that all other men interested in the subject might have the advantage of it. If Mr. Eckels claims every improvement that has been made in that report during the four years he was in office, it does not rest with me to say that he is not fully entitled to the credit; and if he should say that I am entitled to very much of it, it does not lie with me to deny it. When two men are in as close association in the study of great problems and in publishing the results as we were, a matter of this kind is of no importance. You will not find me alluded to anywhere in these reports, for I have always requested that I be given no credit for anything, to avoid prejudice. I do not want any especial credit, but I do want the facts, and true, not bogus, reform in the interests of my country.

#### WORK IN THE FIFTY-FIRST CONGRESS.

Mr. Speaker, what do you suppose has occupied the time of the chairman of the Committee on Banking and Currency? During the whole of the Fifty-first Congress I rarely went to my bed till 1 or 2 o'clock in the morning, for I was also on the Committee on Coinage, Weights, and Measures, and the silver question was then rampant. I spent all my time, as everybody acquainted with me knows, either at my home or in the committee room or on this floor, engaged in the study and discussion of these questions, hardly allowing myself the slightest amusement, in my intense eagerness to work out some substantial results.

The duty with which I was charged by the Speaker of this House and by this House was first of all to protect and preserve the laws we have—not to improve them, but to protect and preserve them—to see to it that no change was recommended to this House by the committee which would not incontestably improve and not deteriorate the laws of my country. That has been my principal occupation for the whole ten years. From the time five years ago, when the public first became interested in these questions, and up to now hundreds upon hundreds of communications have poured in upon me. I must read every one of them. I must give an intelligent answer. I must tell the why and wherefore if I would further this great reform. It was not enough to say to a man that his scheme was not practical. He should know why it was not practical, so that he might be educated himself and educate his neighbors as to what was practical.

#### TREATMENT BY THE INDIANAPOLIS COMMISSION.

The real reason for the treatment I have received since the appointment of the Indianapolis commission is known, I believe, to none but myself. The convention met January 12, 1897.

Mr. Speaker, I want to read here the words that I took down

from the lips of a man who was sent to Washington to investigate and report upon the prospects of currency reform, for the purpose of seeing what progress had been made and what the promise was for the future. He said he was instructed "not to send any matter in any way complimentary of what Mr. WALKER of Massachusetts might say or do in connection with it, for they did not approve of his course in not working with the Indianapolis commission." He further said to me that I "might have had a great career as a financial reformer on the floor of the House of Representatives if I had not been so strenuous in support of my own bill."

**WILL ACCEPT ANY SOUND BILL.**

Now, sir, I challenge any member on this floor to find a solitary word that I have ever said on the floor of the House, or in the committee, or in private conversation, or in the thousands upon thousands of letters that I have written or interviews given upon the subject, that did not go to the point absolutely, that I would support any bill that anybody would prepare and present which would correct, in the first place, the injustice of forcing upon the United States Treasury the burden of maintaining parity of all of our currency and put the maintenance of the parity between our metallic currency and paper money with gold, on the banks of the country where it is put in all other parts of the world and so relieve the people of its cost, which is a great injustice. This cost is some \$70,000,000, directly and indirectly. This duty must be put upon the banks, the only power known to man that can maintain parity without cost.

Again, in the second place, the banks must be permitted to issue true bank currency that will be available for all purposes, and especially a money for use in the outlying farming districts of the country; and, thirdly, to place a small tax upon currency for the purpose of raising a fund to guarantee by the Government without loss, every dollar issued by the Government to the banks.

Not only that, Mr. Speaker, but I have offered, and will offer here and now, to give \$1,000 to any benevolent society in any part of the country if any man will write a bill that will be more comprehensive, more thoroughly in accordance with true economic principles and sound banking principles, more easily understood, and that will accomplish the four things which I have suggested—viz, relieve the Treasury of maintaining parity by putting that duty on banks, unite all banks to do it, allow banks to issue true bank currency, and guarantee that currency by the Government—better than the bill that I present. As I have said hundreds of times, I have no pride of opinion in the matter. I was willing to accept a good bill, come from where it might. I was willing to do this, not because I believe the bill I have presented is not a good one, but for the purpose of relieving myself of the abuse which had been heaped upon me for adhering to fundamental banking principles and trying to do what I believed to be right.

In the four years that I have been the chairman of the Committee on Banking and Currency I have not detained that committee, according to my remembrance, but a single day, and that informally presenting the bill that I had drawn, and in explaining it. I have never had it formally before the committee.

**MR. HANNA AND THE LOBBY.**

Mr. Speaker, I want to say a word or two in reference to the Indianapolis commission. I wish to speak freely upon it, and also

with reference to the chairman of the committee, Mr. Hanna, as well as of the extra persistent lobbyists they have employed about the Capitol. Let me say, to begin with, that I have never met a man who impressed me more favorably than Mr. H. H. Hanna, of Indiana. I do not think I have ever met one who impressed me more forcibly as to his integrity and intensity of purpose to accomplish a great reform than he. I shall certainly indulge in no unnecessary personal criticism of him.

I want to say, also, that the two gentlemen he employs about the Capitol to secure reform legislation in banking and currency also impressed me most favorably. Mr. Jules Guthridge, one of the gentlemen to whom I refer, is one of the very best friends I have had from the time I came to Congress to the present time. He is a man who would knowingly do no injustice to anyone. The other gentleman, Mr. Conant, is of the same character, and what I have said of the other gentleman is true of him. He has the additional qualification of knowing a great deal on the question at issue. But Mr. Hanna has told me repeatedly that he knew absolutely nothing on the question personally as an expert.

Mr. Guthridge makes no pretense to a special knowledge of finance or banking. Of course there has been no design upon their part to do me injustice, but as I have stood like a rock for the four principles fundamental to this great reform and in opposition to every measure that did not recognize them, and have succeeded in defeating them, it was inevitable that all adverse criticism should fall on me.

#### WHAT HAPPENED IN THE BANKING AND CURRENCY COMMITTEE.

Of course the frailties of human nature as well as its virtues have been recognized in the members of the committee, as they are in all bodies of men.

Of the seventeen members of the Committee on Banking and Currency five were of the minority and soon excluded. Four wanted no general legislation. Three were ready to vote for any general bill. Four sought places on the committee, each to ride his hobby to the front. One soon tumbled off; one finally got off. One more clambered on a hobby found for him, making three that were in at the death.

The chairman consistently held to the four principles fundamental to any legislation looking to any improvement in our financial, banking, and currency situation, viz:

First. To relieve the United States Treasury of any responsibility for current redemption of any form of paper money.

Second. The putting of the maintenance of parity on the banks.

Third. Uniting the banks in order to enable them to maintain parity.

Fourth. Allowing the banks to issue true bank currency.

Proclaiming his willingness to support any bill drawn by any man that made sure the doing of these four things, he has as steadily refused to support any bill that would make confusion worse confounded, as every general bill the committee has yet formally considered surely would.

#### H. R. 10289 REPORTED WITHOUT AUTHORITY.

The voting began on the bill (H. R. 10289) that was finally wrongfully reported to the House on the 11th of May, but was never completed. On June 15 it was, without authority, reported to the House.

Mr. HILL. Mr. Speaker, in order to relieve the gentleman from

Massachusetts from any embarrassment, I shall necessarily feel called upon to make a point of order that any proceedings of the committee are not to be revealed in the House. Now, I have not the slightest objection to the Chair overruling that point of order, because I want to violate it myself, if necessary.

Mr. WALKER of Massachusetts. I hope this will not come out of my time.

The SPEAKER pro tempore. The gentleman from Massachusetts has the floor.

Mr. WALKER of Massachusetts. The order under which I am speaking gives me authority to go into all the history of this reform, in the committee and out.

**MR. McCLEARY WANTED HIS NAME ON THE BILL.**

Mr. Speaker, when H. R. 10289 was completed, against the earnest protest of the chairman, who tried his best to induce the committee to allow the honorable gentleman from Minnesota [Mr. McCLEARY] to put his name on the bill, the committee, under the lead of the honorable gentleman from Connecticut [Mr. HILL] directed the chairman to introduce the bill into the House as an original measure and upon the ground that it was a committee bill.

Some declared that they would not support the bill on the floor of the House if it had the name of the honorable gentleman from Minnesota [Mr. McCLEARY] upon it, giving as a reason that "there was not a single substantive proposition in the bill originated by him," so that not even the name of Mr. McCLEARY appears, who very much desired that his name should go on the bill, but instead the name of Mr. WALKER, who protested against his name going on the bill he was so much opposed to.

The action of the honorable gentleman from Connecticut [Mr. HILL] and the honorable gentleman from Minnesota [Mr. McCLEARY], in forcing H. R. 10289 out of the committee and on to the Calendar of the House, on June 15, 1898, was so indefensible that the honorable gentleman from Minnesota himself made a motion at the meeting of the committee on June 24, 1898, that the bill be withdrawn from the House, which motion was adopted without a dissenting vote, but instead of doing so, by the advice of the honorable gentleman from Connecticut [Mr. HILL] and the lobby of Mr. HANNA, he did not withdraw the bill until again directed to do so seven months after, and again by a unanimous vote of the committee, passed on January 11, 1899. He then delayed it as long as possible, until January 17.

**SIX SUPPORTERS OUT OF SEVENTEEN MEMBERS.**

On January 18 the friends of the bill could only rally 6 votes out of 17 on the motion to favorably report the bill. The unwarranted action in reporting the bill to the House on June 15, 1898, for which the gentleman from Connecticut [Mr. HILL] and the gentleman from Minnesota [Mr. McCLEARY] were principally responsible, together with the unwarranted statements of the Hanna lobby as to its being rightfully before the House and of its "having the support of a majority of the committee," determined those who were known to the lobby and to every member of the committee to be opposed to the bill, but who proposed to assist in getting the bill before the House for discussion, to withdraw even that action, which left only the vote of its supporters, 6 out of 17, in favor of the bill.

**MEMBERS WHO IMMORTALIZED THEIR NAMES ON BANKING BILLS.**

So this old world wags, and man suffers. By one of those unlooked-for and inexplicable but common disasters in the tide of human affairs, the honorable gentleman from Minnesota [Mr. McCLEARY] is left solitary and alone. While the honorable gentleman from Connecticut [Mr. HILL] and the honorable gentleman from New York [Mr. MITCHELL], by culling bills from those prepared by other men, have attained their great ambition, and their personalities will stand forevermore high in the temple of fame, by having their names written on the front of bills favorably reported to the House, to die on the Calendar with their merits unsung, the honorable gentleman from Minnesota [Mr. McCLEARY], equally persistent and deserving, is compelled to return to his constituents with the embarrassments of the campaign of 1898 still attending him in being unable to say on the stump, "Now, ladies and gentlemen, I will address you a few words on a banking bill that happens to bear my name." This is not the fault of the chairman, for I struggled hard to keep my name off and put his name on the bad bill that has been erroneously and unfairly called the McCleary bill.

Mr. COX. Mr. Speaker—

Mr. WALKER of Massachusetts. I decline to be interrupted. The SPEAKER pro tempore. Does the gentleman from Massachusetts yield to the gentleman from Tennessee?

Mr. WALKER of Massachusetts. I decline to be interrupted by the gentleman from Tennessee.

Mr. COX. I should like to put a question to him. If he is going to tell what the committee did, I want a chance to tell what the committee did.

Mr. WALKER of Massachusetts. I decline to yield. The gentleman made his speech yesterday. Mr. Speaker, I wish to say—

Mr. COX. If the gentleman will pardon me—

Mr. WALKER of Massachusetts. No; I will not "pardon" him for a moment, if it is to come out of my time. If I can have the time gentlemen can interrupt me as much as they like, and I will then invite interruption.

Every man who was a member of the Indianapolis commission knew within twenty-four hours after that bill was reported to this House that it was irregularly reported. They knew that a member of the committee [Mr. McCLEARY] was, by unanimous vote, directed to withdraw it from the House. They knew, furthermore, that it was not reported, even in the irregular manner in which it was reported, approved of by a majority of that committee. They knew that there were only 7 persons out of 17 who made any pretense of a purpose to support that bill on this floor.

Knowing the fact, the circular which I, with others who were in the Indianapolis convention, received makes the following statement:

**CIRCULAR LETTER OF H. H. HANNA, JULY 16, 1898.**

"The result obtained in agreement on the part of the majority of this committee was only accomplished after very thorough and exhaustive labor.

"The bill reported by the committee is a greater step in the right direction than the business men of the country had reason to expect would be secured at this early stage in the progress of the work.

"To measure the present condition it is only necessary to say that there is every reason to believe that the President and all the lead-

ing Administration Republican Senators and Congressmen and the 150 members of the House who signed the petition now stand united in support of the general principles of the committee's bill."

This statement as to the President is very remarkable. Not the slightest warrant for any such statement has yet been presented to the people.

Again Mr. Hanna says in his remarkable letter:

Plans will be formulated in due time in order that the business men of the country may supplement the regular organization for work in the weak legislative and Congressional districts.

Aha! Why should not every member of Congress who desired reelection support the Hanna bill by adoption (H. R. 10289) when they know there was \$50,000, \$100,000, perhaps \$200,000, behind their reelection? Chairman WALKER's four principles of reform embodied in a bill had only "a conscience void of offense" in allegiance to solid truth, behind them. Mr. Hanna promises them not only the Congressional life that now is, but that which is to come, as a reward for their vote; any supporter of Mr. WALKER's bill, defeat, perhaps.

Where a man did not pledge himself to support the bill (H. R. 10289), so far as my information goes, his defeat was desired by Mr. Hanna, as is shown by the extracts from the letters read.

REJOICED IN WALKER'S DEFEAT.

Furthermore, there was scarcely a paper in this country that was in the special interest of that commission but that was made to believe that my objection to the principles upon which bill 10289 was drawn was factious. Because I believed they would make confusion worse confounded, would make panics more intense and would bring them on faster, and would fasten the present iniquitous system on the country more securely than now, they were made to rejoice in my defeat.

All over this country papers were rejoicing in my defeat. There is another fact that is very significant.

Where there was one paper rejoicing in my defeat there were ten papers, fair and candid, that contained compliments to me such as I never expected to receive from my countrymen, in the expression of their regret that I was no longer to be a member of this House, and I take special pride in what was thus said of me. I received a letter from Mr. HANNA on this matter. I wrote him frankly a letter that I insert in the RECORD:

LETTER TO MR. H. H. HANNA.

WORCESTER, MASS., November 21, 1898.

MY DEAR SIR: I was pleased to receive your letter of November 18.

I have lived too long to concern myself with the newspaper stories written by the enterprising "space men." I saw not the slightest hint of such a thing as you suggest.

I presume by this time you have received the documents I sent, but should they fail to reach you please let me know and I will send other copies.

Very truly yours,

J. H. WALKER.

Hon. H. H. HANNA, *Indianapolis, Ind.*

I did not see his hand in my district. I did not see it, because I did not look for or care for any "hand." I was defeated, and that was enough. No man ever knew me to undertake the care of dead horses. I prefer to feed live ones.

**Mr. OVERSTREET.** Will the gentleman yield to me for an inquiry?

**Mr. WALKER of Massachusetts.** Certainly.

**Mr. OVERSTREET.** I will ask the gentleman if Mr. Hanna did not tender his services in aid of his reelection?

**Mr. WALKER of Massachusetts.** I have said he did, and he is a man who means what he says.

**Mr. OVERSTREET.** Did not he do it in a letter, and did not you reply thanking him and stating that you did not think that you would have any trouble?

**Mr. WALKER of Massachusetts.** I paid no attention to my canvass, not making a speech in my district. I was in New Hampshire. I think he did. I am not speaking especially of my own district. That very fact still further enforces the truth of my contention.

**Mr. OVERSTREET.** I understood you stated it in a manner that left the impression that the organization of which he was the head had taken some steps toward your defeat.

**Mr. WALKER of Massachusetts.** My point is this: Those who favored his bill (H. R. 10289) all over the country and the men in my district as well—

**Mr. OVERSTREET.** You do not pretend to say—

**Mr. WALKER of Massachusetts.** I do not pretend to say that he personally undertook to do anything against me in the district, but by my friends all over this country it was understood that those who were seeking reelection to seats in this House and were not in favor of the bill (H. R. 10289) were a hindrance to monetary reform, as it is called, and I among the number.

The SPEAKER pro tempore. The Chair will state to the gentleman from Massachusetts that he has consumed the first thirty minutes of his hour.

\* \* \* \* \*

#### THE CAUCUS COMMITTEE OF ELEVEN.

I will not delay the House much longer this morning, as I have the right to extend my remarks in the RECORD. I wish to be notified again, after ten minutes, so that I can yield to others a part of my time and save my last ten minutes to reply to them.

Mr. Speaker, a very peculiar thing has resulted in the attempt on the part of the Republicans of this House to secure a special committee to consider this great question during the vacation.

It is hard to suppress a Roman virtue in a man like the gentleman from Ohio [Mr. GROSVENOR]. Listen to the prologue and then we will see the play:

[Washington Post, February 3, 1899.]

A CAUCUS ON FINANCE—STRONG SHOWING FOR MONETARY LEGISLATION IN HOUSE—TO NAME A COMMITTEE OF ELEVEN.

General HENDERSON made a strong speech in support of the plan embodied in his resolution, and pointed out the advantage of having this important subject committed to a body serving both in this Congress and the next, and representing the various sections of the country, and, as far as possible, its diverse business and economic interests.

#### CANNON IN DOUBTFUL MOOD.

Mr. CANNON said he did not think any financial legislation could be carried through until after the next Presidential election.

Representative PAYNE said it would permit careful consideration of the question during the coming months, and the prepara-

tion of such a well-matured plan as would commend itself on all hands.

*Resolved.* That a committee of eleven members of the present House of Representatives, who are members of the Fifty-sixth Congress, shall be appointed by the chairman of this caucus for the purpose of considering monetary legislation and submitting their recommendations to a Republican caucus at the first session of the Fifty-sixth Congress, with authority to confer with a like committee from the Senate. Adopted.

[Washington Evening Star, February 16, 1899.]

FOR CURRENCY REVISION—REPUBLICAN COMMITTEE SELECTED BY REPRESENTATIVE GROSVENOR.

Representative GROSVENOR, of Ohio, chairman of the Republican caucus, has announced the appointment of the following Republicans of the House as members of the committee provided by the resolution of the Republican caucus on currency legislation: Representatives HENDERSON, of Iowa; PAYNE, New York; DALZELL, Pennsylvania; KERR, Ohio; HAWLEY, Texas; LOVERING, Massachusetts; OVERSTREET, Indiana; CURTIS, Kansas; LOUD, California; BABCOCK, Wisconsin, and MORRIS, Minnesota.

It will be observed that no member of the Banking and Currency Committee or the Coinage, Weights, and Measures Committee is put upon this committee. Referring to this fact, Representative GROSVENOR said:

"I made the appointments in that way after full and free conference with most of the members of the committees and with prominent members of the House. It must not be for a moment understood that the omission of members of these committees from the caucus committee was intended to in anywise reflect upon the distinguished gentlemen who compose these two great committees, and, on the contrary, the idea prevailed that inasmuch as any bill or bills which might be agreed upon by the Republican caucus would have to go to one or both of these committees for their final action and report, it would be unwise to ask these gentlemen to make any decision or take sides in any way upon any dispute of policy or detail, and it was deemed wisest and best that the committees should remain wholly independent and noncommittal as to the details of the report, and be free to act independently, with the final judgment of each member uninfluenced and unaffected by the action of the caucus committee. In this way we will ultimately have the opinion of the caucus committee of 11 members of the House and of such committees as the Senate may see fit to provide, and then the deliberate judgment of the proper committee of the House."

Mr. Speaker, so it appears that the caucus believed the committee of 11 was to consider monetary legislation—to permit careful consideration—to present a well-matured plan that would commend itself to all.

"A DANIEL COME TO JUDGMENT."

Now as to how the gentleman [Mr. GROSVENOR] succeeded. "I made the appointment (of the 11) in that way after full and free conference with most of the members of the committee, \* \* \* and it was deemed wisest and best \* \* \* not to take sides in any way on any disputed policy or detail," and much more of the same sort. Verily, "a Daniel come to judgment." Now for the play.

Mr. Speaker, of that committee of 11 that were appointed, 6 of

the 11, a majority, have concluded the whole question. Of the 205 Republicans in this House, it is reported by the Monetary Commission that 150 signed a paper requesting the consideration of bill H. R. 10289 to present to the Speaker; 55 signed no paper.

I have been over these papers very carefully, and 57 strongly "pledged their unqualified support" on the floor of the House to the bill H. R. 10289. Now, I believe that there has been some suggestion, some means used, of course honorable, to conclude this question before its consideration is begun, and that it emanates from the very enthusiastic but injudicious members of the Monetary Commission, Mr. Hanna, or men who are operating here for him. These 6 members of that committee have already pledged their unqualified support to that bill. Curiously enough, out of the whole 93 that requested only "consideration" of that bill, but did not "pledge support," not one is appointed on this committee of 11.

Mr. COOPER of Wisconsin. What committee is the gentleman speaking of?

#### PLEDGED IN ADVANCE.

Mr. WALKER of Massachusetts. The committee of 11, which the honorable gentleman from Ohio [Mr. GROSVENOR] appointed to consider the financial-reform question and to settle it during the recess. The question is thus concluded before it is begun. A majority of the 11 are already pledged to support the bill H. R. 10289. They are put on that committee, and not a man is put on out of the 93 Republicans who requested "consideration."

Mr. GROSVENOR rose.

Mr. WALKER of Massachusetts. The gentleman from Ohio had better wait, for I have considerable more to say, and he may as well reply to two or three things at one time.

Mr. GROSVENOR. Oh, no; I shall not.

Mr. WALKER of Massachusetts. Now, upon any doctrine of chances in the selection of these men, is it not conceivable that out of 205, 6 men of 11, from 57 pledged and not one out of 93 unpledged, should have been chosen, without it was by some one who had carefully examined these petitions and had selected these 6 men "because they were pledged," and thus conclude this whole question by a pledge given over their written signature? I want to say with reference to the honorable gentleman from Massachusetts, my colleague [Mr. LOVERING], who is one of the "pledged" men put on the committee, that there is no man in Massachusetts that is considered of higher honor than he, and when he gives his word it is as good as his bond, and when he puts his name to a written promise to do a thing he will do it, and I believe that is true of the other 5 pledged men on the committee.

The honorable gentleman from Ohio [Mr. KERR], the honorable gentleman from Indiana [Mr. OVERSTREET], the honorable gentleman from Kansas [Mr. CURTIS], the honorable gentleman from Wisconsin [Mr. BABCOCK], the honorable gentleman from Minnesota [Mr. MORRIS]. Mr. Hanna can surely rely on the honor of every one of these gentlemen to keep his written pledge to support bill H. R. 10289, with absolute confidence.

#### SOME ONE WHO "KNEW HIS BUSINESS" SELECTED THE COMMITTEE.

By any doctrine of chance it is not conceivable, I again say, that these men should have been selected as they have been selected unless it was by some man who had carefully examined these petitions. This was not a matter of chance. Some one "knew his business like a book." This thing could not happen by chance once in a million trials.

Again, the names of these six men indicate, if they are leading members of this House, what is occasionally claimed on this floor, viz., that there has been great unfairness upon the part of the Speaker of this House. If this committee was appointed from the leading members of the House, as it was supposed to be, they ought to have held chairmanships of or high places on committees. The average service of these gentlemen in this House is just two terms. The honorable gentleman from Iowa [Mr. HENDERSON] is also understood to be one of the most enthusiastic supporters of H. R. 10289, makes seven.

What becomes of the gentleman from Illinois [Mr. CANNON], as a leading member who has served twenty-four years; of the gentleman from Illinois [Mr. HITT], who has served eighteen years; of the gentleman from Illinois [Mr. HOPKINS], fourteen years; of the gentleman from Ohio [Mr. BURTON], six years; of the gentleman from Minnesota [Mr. TAWNEY], who has served six years? And where is the gentleman from North Carolina [Mr. LINNEY], who has served four years—who ought to be on to represent the South as well as the gentleman from Texas [Mr. HAWLEY]? The total service of these six supposed leaders is seventy-two years and an average of twelve years. Now, that shows that these six gentlemen appointed by the gentleman from Ohio [Mr. GROSVENOR] have been painfully neglected by the Speaker of this House, for most of them have not been made chairmen nor are near the head of their committees.

What is still more humiliating, they average to be in the sixth position on the committees on which they are placed. After taking the five leading men in the House—the honorable gentleman from New York [Mr. PAYNE], the honorable gentleman from Pennsylvania [Mr. DALZELL], the honorable gentleman from Texas [Mr. HAWLEY], and the honorable gentleman from California [Mr. LOUD]—who average a service of ten years, the pledge to support H. R. 10289 seems to have been an inexorable condition requisite in the other six of the committee of 11. The difficulty arose because few of the older members in the House are in the habit of pledging themselves to measures they do not fully understand.

What I am trying to say is not that these gentlemen are not the leaders of the House, but that injustice has been done them in the distribution of chairmanships and high places on committees of this House, as indicated by the honorable gentleman from Ohio [Mr. GROSVENOR]. That is my contention.

Mr. GROSVENOR. Mr. Speaker—

Mr. WALKER of Massachusetts. I yield to the gentleman, but I do not want it to come out of my time, because it is very short.

Mr. GROSVENOR. I will be very brief. Mr. Speaker, I want to say first that I had no knowledge that any one of the eleven gentlemen named either did or did not sign any petition in regard to any bill. Second, I did not ask anyone of all those gentlemen any question as to how he stood upon any bill or any phase of the financial question. Third, no man outside of the members of the House suggested to me the name of any man that I put upon that committee; and fourth, I say that my observation of the committees of this House leads me to believe that there is occasionally a gentleman in the House who is not a chairman of any committee, but who knows as much as the average gentlemen who are chairmen of committees. [Laughter.]

## A SAFE METHOD OF APPOINTING REFEREES.

**Mr. WALKER** of Massachusetts. Now, Mr. Speaker, in reply to that I want to say that my whole contention was, and is now, that the gentleman [Mr. GROSVENOR] did not examine those signatures, but that somebody in interest did. That is sure. There is no man in this House who believes that those men could have been appointed in this peculiar and wonderful manner unless somebody knew how they stood on those petitions. Mr. Speaker, there was once a reference case of a friend of mine. After the referees were appointed, I went to the man who was instrumental in having the case referred and said, "What do you think about the decision? I am afraid it will go against my friend." - "Oh," said the man to whom I was talking, "it is well enough when you have a reference to know how men will decide before you select them." [Laughter.] It must have been agreed upon before the caucus was called—it was agreed upon somewhere—who should be members of this committee of eleven. That is just as sure as anything can be that is unproven.

## MR. HANNA IS PLEASED.

Mr. Speaker, Mr. H. H. Hanna is "pleased," and that ought to settle it. He probably knew he was going to be pleased. He did not wait until the 16th of February, when the committee was publicly announced, but he was pleased on the 14th, two days before the committee was appointed, and in season to send the following circular letter on that day:

INDIANAPOLIS, February 14, 1899.

DEAR MR. \_\_\_\_: You have undoubtedly seen in the papers the past few days a report of the action of the Republican caucus last week. This action was brought about at request of your committee. \* \* \* It is just and proper to say that the success of this caucus was made possible by the influence of the President and the Speaker of the House and Senator ALDRICH, who is acting chairman of the Finance Committee of the Senate. \* \* \* This step is taken in order to avoid delay incident to discussing and reporting of measures by the regular committees of both Houses in the next session. \* \* \* The truth is, that the step taken is a very great one in the interest of monetary legislation.

The work to this time has, of course, been continuously confronted with barriers that seemed extremely difficult to overcome. \* \* \* It is now probable that whatever is agreed upon by these committees and recommended to Congress in the next session, will be important features in the direction of laws for which your organization has so earnestly appealed for the past two years.

Congratulating you upon the progress made in the work to this time, \* \* \* and with assurance of personal gratitude and regards of the writer.

Faithfully yours,

H. H. HANNA, Chairman.

"Barriers" is good; "at the request of your committee" is still better, and enjoyed by all of us because it is so complimentary to us.

## MR. GROSVENOR'S GIFT OF PROPHECY.

Mr. Speaker, the key to the situation may be found in what the honorable and very distinguished gentleman from Ohio [Mr. GROSVENOR] tells us—that he consulted only members of the House in making up his now famous committee of eleven. This information gives us a clue to learn, "Who am der pusson what put

dem checkins in the ge'man's hat." Nevertheless and notwithstanding, the honorable gentleman seems to have laid a fairly solid foundation upon which to rest his extraordinary gift of prophecy in foretelling what his committee will do.

Mr. Speaker, perhaps Senator ALDRICH and the other members of the Senate Finance Committee will make a part of a great "finance, bank, and currency committee of the two Houses" to approve bill H. R. 10289. On the other hand, perhaps they will wait until the eleven leading members of the House take their rightful places as distinguished Senators before they think it advisable to saddle the Republican party of the country with the Indianapolis Monetary Commission, the H. H. Hanna lobby, and the bill H. R. 10289. Again, by what authority does Mr. Hanna speak for the President, the Speaker of the House, or for Senator ALDRICH? They have the same means of making their views known to the public as has Mr. Hanna. I can not believe they are responsible for the report of them that Mr. Hanna makes. I fear his enthusiasm has again outstripped his discretion.

Another thing: I was told that the reason why I was not called into the Speaker's room and consulted as to what was best for the party and best to be done for the country under the circumstances was, that I was not elected to the Fifty-sixth Congress. Was Mr. H. H. Hanna who was called in elected to the Fifty-sixth Congress? Is he even a member of the present Congress. I have never seen his name on the roll. Is he a sure member of the Fifty-sixth Congress?

Mr. SULZER. He could not be elected on his—

HIGH REGARD FOR MR. HANNA.

Mr. WALKER of Massachusetts. I am told that Mr. Hanna was urged to come here as Congressman by the unanimous sentiment of the Republicans of his district, but he could not thus sacrifice this great reform; that he was also wanted for Senator, but that his position as a monetary reformer would have been compromised if he had accepted. But I am grieved to notice that his candidate, Judge Taylor, was not elected Senator from Indiana, for he seemed to me a very able man. I say, in all frankness, that from what I have seen of Mr. Hanna, I believe he is sufficiently interested in this reform to refuse a seat on this floor or in the Senate to secure it. I am saying this because I believe it.

I have the highest regard for Mr. Hanna, as I have for Mr. Guthridge, but I have observed the mistaken way they have lobbied this House, taking men by the buttonhole and begging and pleading with them to support a bill neither the member nor themselves understood. I spent a month of solid time trying to understand this bill H. R. 10289, at least six hours a day, and there were four questions I could not myself solve. After my study of the bill I wrote to the authors of it the following letters, and not one of them attempted to meet the challenge. I say to this House, and especially those gentlemen clamoring for reform, as to my minority report No. 1575 and as to the speech I made on February 14, that I challenged any man living anywhere to successfully controvert a single statement of fact or a single argument therein submitted. I have issued this challenge to members of the committee in the letters quoted and to all who are interested in bill H. R. 10289, and not one of them has accepted the challenge. Yet they vote for a bill of which it may be said that a large part of their facts they use are derived from canvas-back and terrapin and their arguments from champagne, and the

result of their bill if enacted would be to continue the robbery of the farming sections of our country. This is my statement of it to this House and the country.

Mr. HILL. I remember the gentleman having written a letter—

Mr. WALKER of Massachusetts. Let me finish this statement. I will put in the letter. The gentleman from Connecticut [Mr. HILL] replied he was just starting for Porto Rico and that he would attend to the matter when he got back, I believe, but he probably has never "gotten back" officially.

Mr. HILL. The point I wanted to get at was this—that at the time the gentleman wrote that letter he included in it the statement that we ought all to fully understand the measure, so that we might fairly consider it when it came up for discussion in the House. Is not that correct?

Mr. WALKER of Massachusetts. Why, yes; the honorable gentleman from Minnesota [Mr. McCLEARY] had not then withdrawn the bill. I said—

Mr. HILL. Just let me proceed for an instant. I want to put in with the statement the gentleman has made that in twenty-four hours after that the bill was reported, although all knew that it was an illegitimate proposition, an impractical and improper report, and would not be considered by the House. Now, will the gentleman reconcile these statements?

Mr. WALKER of Massachusetts. The gentleman's statement is entitled to credit, as all statements made by him are undoubtedly accurate as he sees them—

Mr. HILL (interrupting). I will modify it and ask the gentleman to explain the discrepancy in his own statement.

Mr. WALKER of Massachusetts (continuing). And yet the gentleman from Connecticut is so constituted that everything that comes into his imagination is verity and he is willing to swear to it as the truth. [Laughter.]

Mr. HILL. Well, my imagination does not demand that I shall verify or even try to reconcile the statements of the gentleman from Massachusetts. [Laughter.] I ask him now to reconcile the statement he makes and the improper reporting of the bill.

Mr. WALKER of Massachusetts. The gentleman is a little confused. I have said nothing needing "to be reconciled." Mr. Speaker, how much time have I?

The SPEAKER. The gentleman has occupied ten minutes.

Mr. WALKER of Massachusetts. I yield five minutes to the gentleman from Connecticut [Mr. HILL].

Mr. HILL. I do not care to use the time.

Mr. WALKER of Massachusetts. Mr. Speaker, I will now put in the letters sent to each of the six who favored H. R. 10289.

LETTERS WRITTEN TO MEMBERS OF THE COMMITTEE ON BANKING AND CURRENCY.

NEW HAMPTON, N. H., September 1, 1898.

MY DEAR SIR: I am employing my vacation in preparation for the discussion in the House of H. R. 10289. I am trying to make a very exhaustive analysis of the various propositions that have been submitted to our committee that are liable to come up in the House.

Nothing can be gained by any of us in failure to do justice to each one of the propositions, or in finding ourselves in error as to any provision in any of the bills.

We are associated together to assist each other in thoroughly understanding the propositions submitted to us, not only in order to decide upon which is best, but to be able to enlighten the House in the discussion as well.

I think I understand all the propositions in bill H. R. 10289 excepting as to a few items, as follows:

Page 8, lines 1 to 7: Under what sections and lines can United States notes and Treasury notes accumulate in the department of issue and redemption?

Page 5, lines 3 to 7: Under what sections and lines are such notes to get into the department of issue and redemption in order to be exchanged for gold then in the general Treasury?

Page 6, lines 24 and 25, and page 7, lines 1 to 7: What amount of United States notes and Treasury notes can be canceled under section 8 or any other section, provided all the existing national banks take out the full amount of reserve notes required and no more?

Page 15, lines 9 to 18: What amount of United States notes will have been canceled and destroyed (or the probable amount), as herein provided, when no more of such notes are available as a basis for the issue of circulating notes?

Page 16, lines 1 to 8: What funds are to be used for the withdrawal of reserve notes, and how do they get into the department of issue and redemption?

Your full and frank replies, from your familiarity with the bill, will save me a great deal of work.

I am, very truly, yours,

J. H. WALKER, *Chairman.*

*WORCESTER, MASS., November 10, 1898.*

DEAR SIR: I send you to-day three papers that I hope will receive your most thorough and critical study. I went upon the Committee on Banking and Currency ten years ago by no solicitation of mine. I had no pet theory to force on the committee. I proposed no bill until requested to do so by the chairman, and after Hon. John Sherman not only had declined to prepare a bill and introduce it in the Senate, but had expressed to me a belief that the national system of banking must disappear as the United States bonds were paid off. I had made the subject a special study for many years. Since then I have given nearly my whole attention to it for ten years.

The bill I first drew, it has been my constant study to improve into the best possible form and substance to express the experience of the world in banking and to meet the habits, prejudices, and demands of our own people. I believe my investigations have been more in amount and thoroughness than those of all other men in the country put together.

Either I am right or my errors of fact and conclusions can be readily shown. I have yet seen no evidence that any other member of the committee has made a careful study of the effect of his own bill or any other bill before the committee, by "trying it on" to the present banks that have been in operation more than thirty years.

Several members of the committee do not think anything needs to be done but to—

First. Reduce the tax on currency one-half.

Second. Allow currency to be issued to the par of bonds.

Third. Allow banks of \$25,000 capital in small places.  
 Such members are excused from investigating my general bill.  
 Not so with others. I hope you will take the time and do the work  
 necessary to present to the committee as thorough and careful an  
 exhibit of the two bills, H. R. 10338 and H. R. 10289, as you see  
 them, as I have done to you, if you favor any general bill.

Very truly, yours,

J. H. WALKER, *Chairman.*

**MR. HILL'S BILL BEFORE THE COMMITTEE ON COINAGE.**

Mr. Speaker, I have several quite striking instances of the vivid imagination of the honorable gentleman from Connecticut [Mr. HILL]. I will, however, give only one exhibit, and that from the hearings before the Committee on Coinage, Weights, and Measures. The honorable gentleman introduced in the House, on January 5, 1899, a bill clearly belonging to the Committee on Banking and Currency, as it was all copied from bills before that committee, except two or three comparatively unimportant sections. He had no compunctions of conscience in having it referred to the Committee on Coinage, Weights, and Measures, of which he is also a very distinguished member. He verily believed at the time he was doing God's service in so framing its title as to carry it to the Committee on Coinage, Weights, and Measures unless it read in full by the Speaker, which everyone knows he never does unless requested to do so.

Scarcely any member of our committee knew the character of the bill, if there was one, until they saw in the papers the testimony of Secretary Gage upon it. None of the Committee on Banking and Currency supposed the Committee on Coinage, Weights, and Measures would act on such a bill belonging, as it did, to the Committee on Banking and Currency, and therefore did not call the attention of the House to the error of reference. In fact, nearly all of them were entirely willing that the honorable gentleman from Connecticut should transfer the field of his peculiar labors from our committee to that on Coinage, Weights, and Measures. When, however, the report of the hearings on the bill was published, and especially after talking with several members of that committee, all was made plain. The favorable report from the Coinage, Weights, and Measures Committee on that bill, H. R. 11411, was made on three grounds. The first and conclusive reason to fully justify the committee in its seeming courtesy to the Committee on Banking and Currency was furnished by the honorable gentleman from Connecticut, Mr. HILL, as follows:

**FROM THE REPORT OF HEARING BEFORE COMMITTEE ON COINAGE, ETC.,  
JANUARY 13, 1899.**

"Mr. HILL. Mr. Chairman, my reason for introducing the bill was that several of these measures covering this bill were found in the monetary-commission bill that came before the Committee on Banking and Currency, and it was ruled there, that they were properly matters for the Coinage Committee and not for that committee. I have therefore formulated them very nearly as they were in the monetary-commission bill. \* \* \* At a later time in the hearing I will be glad to give my reasons for introducing the bill at all."

Mr. Speaker, there is not the slightest foundation in fact for this statement. Not only was there no such "ruling" by the chairman of the Committee on Banking and Currency, but there

was no such objection. The question was never raised. The chairman did remark with reference to the Gage bill that it contained some matter that, taken by itself alone, would properly go to the Committee on Ways and Means. It is impossible that the gentleman from Connecticut should "therefore formulate" the bill. Every one of the provisions copied from the bills before our committee by the honorable gentleman from Connecticut was carefully and most exhaustively considered by our committee, Mr. HILL being very decidedly in evidence on such occasions. The first reason to justify the honorable and distinguished gentleman from Connecticut therefore falls without argument or further statement.

The second reason was "to carry out the pledges made in the St. Louis Republican platform in 1896," and this also has no justification in fact.

#### REPUBLICAN PLATFORM OF 1896.

The platform of the Republican convention at St. Louis, passed June 18, 1896, reads:

"We are opposed to the free coinage of silver excepting by international agreement with the leading nations of the world, which we pledge ourselves to promote, and until such agreement can be obtained the existing gold standard must be preserved."

The Republican party can not afford to have such measures as H. R. 11411 or H. R. 10289 forced on it. They are not Republican measures in that they would retire and destroy the United States legal-tender notes.

The following shows the folly of it at this time, even if it were desirable at any time:

[New York Financial Chronicle, January 28, 1899.]

We have already once tried an experiment of the kind the Coinage Committee's bill proposes—that is, of supplying by bank issues the want for currency when contracting the legal tenders—and failed disastrously. Why should we be so forgetful or so venturesome as to assume we shall be any more successful now?

To supply the place the legal-tender notes had filled Congress then, as now, depended upon the national-bank notes. It was at that time as safe a reliance as it ever could be, for the law had been changed so that the State banks were tumbling over one another to get into the system, and taking out notes was very profitable.

How the arrangements for substituting bank notes for legal tenders worked at that time is quickly told. In October, 1865, (the last bank return before the above resolution was passed by Congress) the national-bank notes outstanding were \$171,321,903. In January, 1866, the amount was \$213,239,530. In January, 1868, the amount outstanding was \$394,377,390. These figures show a much larger addition to bank notes concurrently with the withdrawal of legal tenders than is contemplated by the bill the present Coinage Committee has proposed. The provision now made is only one bank-note dollar for each legal-tender dollar of those canceled, and none to fill the place of those retained in the Treasury uncanceled; whereas, from October, 1865, to January, 1868, the additions to bank currency were \$123,000,000.

Moreover, previous to October, 1865, the new bank-note issues had been very rapid, for in January, 1865, there were only \$66,750,000 of bank notes outstanding, showing an enlargement of the

**volume of the bank notes afloat of \$227,500,000 in the three years.** And yet in January, 1868, the sentiment of the people had changed so absolutely through the canceling of \$70,000,000 of legal-tender notes that the cry went up to Congress from all over the country to stop that contraction, and stop it Congress did. In January, 1868, a law was passed declaring that on and after that date the authority given the Secretary to reduce the currency "by retiring or canceling United States notes" was suspended.

That is the history of a very desirable but badly managed movement. It began with the country full of enthusiasm for it, and ended in the short space of about two years with the people thoroughly disgusted at currency reform and with the effort for its attainment begun so auspiciously an absolute failure. What we want to guard against most of all now is a similar waste of our opportunity. It is a rare chance we have. Shall we show ourselves capable of taking advantage of it?

#### NOT A REPUBLICAN BILL.

Second. It is not a Republican measure, in that it violates the pledge of making an effort to secure international bimetallism; in that it distinctly, needlessly, and offensively puts up a "gold reserve" to redeem existing silver dollars, thus practically demonetizing them.

Third. It is not a Republican measure, in that it proposes to allow banks to circulate paper money, which is not "guaranteed by the United States Government."

Fourth. It is not a Republican measure, in that it proposes to make purely bank notes a legal tender; and

Fifth. It is not a Republican measure, because it proposes to force on the Treasury of the United States an unwieldy, double-headed treasury system after the similitude of the Bank of England system, where it is a failure in every panic.

#### BASTARD BANKING MEASURES.

Those bills are bastard banking measures. They have no pride of ancestry, in that they are not justified by the banking system of any country in the world, and we could have no pride in their progeny which will be panic and disaster. The bills are alien to sound economic principles, and alien to true banking principles. In every one of these particulars they, in essence, if not in letter, violate the St. Louis platform.

Another curious thing attracts our attention. Like the committee of 11 appointed by the honorable gentleman from Ohio [Mr. GROSVENOR], the Committee on Coinage, Weights, and Measures had practically decided the question before the bill was sent to them. Six out of the ten Republicans on that committee had given their pledge in writing, over their own signatures, that they would support bill H. R. 10289, and the other four had signed the other petition to the Speaker, "requesting consideration" of the bill, and thus indicated they were favorable to it.

The third reason for favorably reporting the bill is a very noble one, and committees in the House should always be encouraged in observing it, namely, to show the House that the ten Republicans on the Coinage, Weights, and Measures Committee were sufficiently broad-minded and accommodating to agree on a bill even if they did not understand it, and could not intelligently defend a provision of it on the floor. "What's a little matter like the Constitution between friends," or truth even?

## THE BANKING LAWS OF ENGLAND AND GERMANY.

As to the un wisdom of trying to graft the Bank of England system on to the United States Treasury instead of that of France or Germany, I wish to present the following from the Chicago Banker and Financial Journal of January, 1899:

"The financial world has been much interested and highly gratified at the comparative ease with which Germany passed through its recent money crisis. The facts as presented bear emphatic testimony to the excellence of the German banking law.

"Under this law the imperial bank is able to issue notes to any amount for which there may be a public necessity. In the marvelous industrial activity which has prevailed in the fatherland there is little doubt that speculative enterprise had been carried altogether beyond conservative lines. German banks had given altogether too much indulgence to speculators, promoters, and others, without approved securities. In this way a very serious condition of the money market came about, and Germany became indebted in very large sums to both Paris and London. Had it not been for the elastic currency provision in the imperial banking law a panic would doubtless have ensued. The record to the present time, however, shows not a single important failure.

"In London, no matter how grave the situation nor how urgent the public demand for money may be, the Bank of England can not issue notes beyond the amount of its authorized issue and the gold it holds, unless by the kind permission of the ministry to break the law. In Germany the imperial bank can issue notes beyond the gold actually held and the authorized issue to any amount that may be required, always provided that it pays the Government 5 per cent upon the excess issue. The way in which this system has worked ever since it has come into existence is worthy of the serious attention of our most ardent currency reformers.

"Before our whole banking system is overhauled, as it seems likely to be, the authors of the different plans could not do better than to study the workings of the German banking law in the recent severe credit stringency.

"Last year large sums of money were loaned in Berlin by New York and Chicago banks through the familiar operation of sterling investments. Germany has been meeting the situation in part by selling her American stocks in this market, thus influencing exchange prices sufficiently to prevent a further drain."

## BANK OF ENGLAND.

Also extracts from the Bankers' Magazine and Statistical Register, volume 45, February, 1891.

Article on "The London Crisis of November, 1890," page 595:

"We know finally that the legislation of 1844 restricts the expansion of the Bank of England's notes, and paralyzes it at critical times."

Page 600:

"On Tuesday, November 12, 1890, the Bank of England's broker was able to rush to the stock exchange, where a panic was coming on, and announce the speedy arrival of \$7,500,000 in gold from Paris. In reality the advance agreed upon, as is known, by the Bank of France at 3 per cent, and renewable during several quarters on the security of English treasury bonds, is \$15,000,000."

## Page 600:

"The chancellor of the exchequer offered to the governor of the bank, if the latter made a formal request, to authorize him to violate the act of 1844, and that Mr. Lidderdale declined to have recourse to such exceptional means."

## Page 603:

"The raising of the discount rate attracted gold, or on account of the profitable rate at which capital could be used, or because the bankers of the Continent wanted to strengthen their position with their correspondents."

And also the following extracts from the Bankers' Magazine, London, June and July, 1891, page 79:

## GUARANTEE FUND "BOND."

## "BANK OF ENGLAND, November, 1890.

"In consideration of advances which the Bank of England have agreed to make to Messrs. Baring Bros. & Co., to enable them to discharge at maturity their liabilities existing on the night of the 15th of November, 1890, or arising out of business initiated on or prior to the 15th of November, 1890,

"We, the undersigned, hereby agree, each individual, firm, or company for himself or themselves alone, and to the amount only set opposite to his or their names respectively, to make good to the Bank of England any loss which may appear whenever the Bank of England shall determine that the final liquidation of the liabilities of Messrs. Baring Bros. & Co. has been completed, so far as in the opinion of the governors is practicable.

"All the guarantors shall contribute ratably, and no one individual, firm, or company shall be called on for his or their contribution without the like call being made on the others.

"The maximum period over which the liquidation may extend is three years, commencing the 15th of November, 1890."

## PANIC OF 1893.

Mr. Speaker, our panic of 1893 lasted only sixty-three days. On June 16, 1893, money was worth 9.8 per cent; June 29, discounts 73 $\frac{1}{4}$  per cent; average week ending June 30 it was 27.9 per cent; October 20, 1893, it was worth 1 $\frac{1}{4}$  per cent.

By referring to Table A and Table B it will be seen that the Imperial Bank of Germany in the industrial crisis of 1893 increased its currency in circulation by \$48,000,000, while the Bank of England decreased its currency in the Baring Brothers crisis in 1890 by \$5,000,000. No panic in Germany. A fearful panic in England.

The Bank of England was compelled in that crisis to borrow \$7,500,000 in gold from the Bank of France, with the option of as much more. Not only this, but the Bank of England was practically forced to (because it could not issue currency) assume \$100,000,000 of the Baring Brothers' obligations in order to alleviate the financial distress in England, while the Imperial German Bank only had to increase its issue of currency, as I have said, of about \$50,000,000 of notes to relieve the German situation. Furthermore, it will be seen in the above quotations that the English bank act would surely have been "suspended" in order that the bank might issue even up to \$100,000,000 of additional circulating notes if necessary had this gold not been borrowed from the Bank of France, or had not the bank assumed the \$100,000,000 of the debts of Baring Brothers instead. Is the Republican party of this country ready to adopt a bank system that would tend to compel the

Treasury of the United States, in conjunction with the banks, to any such action?

TABLE A.—*Analysis of a part of the returns of the Imperial Bank of Germany.*  
[London Economist and New York Financial Chronicle.]

Year.	Coin and bullion.	Gold.	Silver.	Circula- tion.	Discount rate on commuted paper.	
					Berlin.	New York.
<b>1898.</b>						
Jan. 15.	\$206,451,530	*\$154,838,648	*\$51,612,882	\$300,039,191	5	3½
Feb. 15.	225,382,215	189,036,651	56,345,554	257,082,506	3½	4
Mar. 15.	223,598,469	175,153,852	58,184,617	248,473,757	3	5
Apr. 15.	210,573,455	157,930,091	52,145,364	206,381,957	4	5½
May 15.	208,038,009	156,028,307	52,069,502	274,733,381	4	5½
June 15.	212,155,068	159,116,301	53,138,767	255,895,170	4	3½
July 15.	196,776,928	147,532,694	49,184,232	308,025,118	4	4
Aug. 15.	208,490,593	156,367,945	52,122,648	207,730,229	4	3½
Sept. 15.	209,055,107	156,791,330	52,283,777	258,805,337	4	4½
Oct. 15.	176,683,149	132,572,362	44,512,362	314,774,953	4	5
Nov. 15.	177,461,789	133,006,342	44,165,447	288,573,717	4	5½
Dec. 15.	192,577,138	144,432,864	48,144,284	271,789,158	6	3½
<b>1899.</b>						
Jan. 15.	189,754,568	142,315,926	47,438,642	304,355,777	6	3½

\* Gold and silver is not divided by the statistical bureau, but averages about one-quarter to one-third silver to two-thirds to three-quarters gold.

TABLE B.—*Analysis of Bank of England returns.*  
[Bankers' Magazine, London, 1891.]

Year.	Gold in issue de- partment.	Notes in circulation.	Percent- age of reserve to liabilities.	Rate of dis- count.	Per cent.
					Per cent.
<b>1890.</b>					
July 2.	\$97,741,706	\$124,611,088	35	4	4
August 6.	95,241,663	124,806,352	37	4	4
September 3.	105,347,875	121,270,698	45	4	4
October 1.	98,074,757	123,656,427	33	5	5
November 5.	90,401,218	120,630,826	35	5	5
November 12.	87,877,213	119,144,938	33	6	6
December 3.	115,842,785	120,071,325	45	5	5
<b>1891.</b>					
January 7.	113,645,598	121,965,290	40	4	4
February 4.	118,524,337	118,397,964	46	3½	3½
March 4.	107,577,851	117,832,750	36	2½	2½
April 1.	104,116,140	121,048,445	38	3½	3½
May 6.	95,965,190	121,787,618	33	4	4
June 3.	122,388,752	121,764,697	44	4	4
July 1.	132,785,129	128,811,340	43	2½	2½

NO MIDDLE GROUND.

Mr. Speaker, we must not forget that there is no middle ground. Either a great National bank, with 6,000 to 20,000 branches, which is the most scientific, or a quasi union of all the 6,000 to 20,000 independent banks, only touching each other through clearing houses, which is more democratic and a thousandfold safer. The Walker bill is the latter.



## RATES OF INTEREST.

Mr. Speaker, I wish now to call the attention of the House to Tables E, showing the disparity in the rates of discount between different cities in this country, to say nothing of the farming districts and the cities in the same States. It will be seen that while the average rate of discount on good commercial paper in New York during the year 1897 averaged 4 per cent, it averaged 8 per cent at St. Joseph, Mo., 10 per cent in Portland, Oreg., and 12 per cent in Denver, Colo. This unnecessary and cruel hardship it is proposed to perpetuate for four years, eight years, ten years, or forever, in the bills H. R. 11411 and H. R. 10289 which the Republican party is expected to make "party measures."

TABLE E.—*Average rate of discount in forty-three cities of the United States, for the years 1893-1897, and for the five years, not including days of panic, as reported weekly in "Bradstreet's."*

Place.	Borrowers of the highest credit—Lower rates—Per cent on commercial paper.					
	1893-7.	1893.	1894.	1895.	1896.	1897.
Boston.....	3.83	5.27	2.76	3.19	4.92	2.99
New York.....	4.41	6.73	2.90	3.55	5.40	3.46
Baltimore.....	4.56	6.11	4.02	4	4	4.00
Hartford.....	4.60	6.09	3.48	4.08	5.72	3.70
Philadelphia.....	4.64	6.15	3.46	4.31	5.57	3.69
Providence.....	4.98	6.12	3.81	4.65	6.07	4.24
Cincinnati.....	5.01	5.88	4.90	4.83	5.61	4.12
Chicago.....	5.74	6.49	5.24	5.83	6.54	5.08
Pittsburg.....	5.83	5.94	5.28	5.96	6	6
New Orleans.....	5.85	7.01	4.98	4.78	6.50	6
St. Louis.....	5.90	6.65	5.38	5.25	6.23	6
Portland, Me.....	6	6	6	6	6	6
Richmond, Va.....	6	6	6	6	6	6
Buffalo.....	6.00	6.11	6	6	6	5.92
Memphis.....	6.10	7.48	5.98	5.38	6.25	5.42
San Francisco.....	6.21	7.11	5.80	5.94	6	---
Milwaukee.....	6.27	6.98	6.11	6	6.28	6
Indianapolis.....	6.36	7.15	6.89	6	6	6
Cleveland.....	6.37	7	6.88	6	6	6
Detroit.....	6.41	7	6.23	6	6.84	6
St. Paul.....	6.60	7.61	7.69	6	6.34	5.38
Nashville.....	6.67	8	7.65	5.96	6	5.75
Louisville.....	6.82	7.08	6.40	6.78	6.94	6.96
Minneapolis.....	6.90	7.57	6.98	6.50	7.21	6.25
Kansas City.....	6.91	6.90	6.28	6.53	8	6.84
St. Joseph.....	6.96	6.84	7	7	7	7
Charleston.....	7.02	7.13	7	7	7	7
Los Angeles.....	7.05	7.28	7	7	7	7
Duluth.....	7.25	7.96	7.01	7	7.88	6.00
Galveston.....	7.31	7.01	7	7	7.53	8
Mobile.....	7.95	7.78	8	8	8	8
Omaha.....	7.98	8	8	8	8	7.90
Savannah.....	7.99	8	8	8	8	7.96
Atlanta.....	8	8	8	8	8	8
Birmingham.....	8	8	8	8	8	8
Houston.....	8	8	8	8	8	8
Portland, Oreg.....	8	8	8	8	8	8
Salt Lake City.....	8	8	8	8	8	8
Little Rock.....	8.01	8.07	8	8	8	8
Dallas.....	8.34	8.78	7.57	8.42	8.92	8
Tacoma.....	9.27	10	9.36	9	9	9
Seattle.....	9.96	10	10	10	10	9.84
Denver.....	10	10	10	10	10	10

TABLE E.—*Average rate of discount in forty-three cities, etc.—Continued.*

Place.	Borrowers of average credit—Higher rates—Per cent on commercial paper.					
	1893-7.	1893.	1894.	1895.	1896.	1897.
Boston.....	5.05	6.60	3.77	4.84	6.29	4.08
New York.....	5.36	8.72	3.65	4.24	6.17	4
Baltimore.....	5.16	6.63	5.23	4.82	4.50	4.64
Hartford.....	5.41	7.16	4.32	4.61	6.67	4.27
Philadelphia.....	6.01	7.01	5.31	5.50	6.27	8.88
Providence.....	5.73	6.80	4.83	5.25	6.82	4.96
Cincinnati.....	5.87	6.96	5.44	5.61	6.17	5.17
Chicago.....	6.53	7.19	6.25	6.24	6.92	6.07
Pittsburg.....	6.49	6.46	6	6.01	7	7
New Orleans.....	7.05	7.61	6.34	6.65	7.78	6.88
St. Louis.....	7.23	7.74	7.01	6.98	7.44	7
Portland, Me.....	6	6	6	6	6	6
Richmond, Va.....	6.4	7	7	6	6	6
Buffalo.....	7.66	7.78	7.65	7	7.94	7.98
Memphis.....	7.85	8.03	7.98	7.86	8	7.42
San Francisco.....	6.90	8.48	6.78	6.82	6	----
Milwaukee.....	7.02	7	6.98	7	7.15	7
Indianapolis.....	8	8	8	8	8	8
Cleveland.....	7	7	7	7	7	7
Detroit.....	6.67	7.19	7.23	6.09	6.84	6
St. Paul.....	7.41	8	7.69	6.32	7.69	7.38
Nashville.....	7.70	8	8	8	8	6.53
Louisville.....	7.05	7.07	7.23	7	6.96	7
Minneapolis.....	7.80	8	7.82	7.84	7.98	7.40
Kansas City.....	8.38	8	8	7.86	9.57	8.48
St. Joseph.....	7.96	7.84	8	8	8	8
Charleston.....	7.98	7.84	8	8	8	8
Los Angeles.....	9.05	9.23	9	9	9	9
Duluth.....	8.23	9	7.88	8	8.28	8
Galveston.....	8	8	8	8	8	8
Mobile.....	8	8	8	8	8	8
Omaha.....	9.69	8.65	10	10	10	9.80
Savannah.....	9.75	8.80	10	10	10	9.95
Atlanta.....	8	8.03	8	8	8	8
Birmingham.....	9.86	9.48	10	10	10	9.88
Houston.....	8	8	8	8	8	8
Portland, Oreg.....	10	10	10	10	10	10
Salt Lake City.....	10	10	10	10	10	10
Little Rock.....	9.69	9.88	9.84	10	10	8.73
Dallas.....	9.90	10.38	9.15	10	10	10
Tacoma.....	11.13	11.69	11	11	11	11
Seattle.....	11.96	12	12	12	12	11.84
Denver.....	11.67	10.38	12	12	12	12

Interest rates are much higher in strictly country districts of the States in which the above cities are located.

#### FOUR SOUND PRINCIPLES.

By the adoption into law of the four principles I have insisted upon, for the last ten years, and propose to insist upon with all the power I have while I have any influence in public affairs, in office or out—namely, to relieve the Treasury from maintaining parity, to compel the banks to maintain parity, to cease to rob the people of the capital they wish to use in banking by compelling them to buy bonds to engage in banking, and to restore to the people their natural rights by allowing them to use their own notes as money in the bills of the banks they own—will equalize rates of discount all over the country. The people were robbed of this right in the enactment of the 10 per cent tax on State bank currency in 1864 for a patriotic reason. It must now be

restored in a sound national system. Then rates of discount would surely be very nearly the same all over this country, as they are absolutely the same now in Scotland and in France, and very nearly the same all over Germany and in Canada.

THE BOND ISSUE OF 1898.

Again, Mr. Speaker, it will be seen by Table D, what I said in the House while we were discussing the revenue measure of 1898 is true. More than \$9,000,000 were absolutely wasted in the sale of the 3 per cent ten-twenties of 1898. I was treated with scant courtesy when I said in the House, when that measure was being discussed, that it would lose the country from \$20,000,000 to \$50,000,000; that upon the price our bonds sold for during 1889 the saving on that \$200,000,000 sold, as the table and footnotes show, would be \$30,000,000. Upon the basis of what our bonds sold for in the three years, 1887, 1888, and 1889 the loss was \$22,000,000, and covering the whole eight years ending 1892 at the price our bonds sold for the loss was \$18,000,000, and at the price the identical 3 per cent ten-twenties of 1898 in January, 1899, the loss was \$16,000,000, as I have said. But what I then said has already come true. The Secretary of the Treasury was forced by the unwise of Congress to sell those bonds on the market at their face value and without the slightest justification. This is not a question of "foresight" and "hindsight." Every man of the slightest financial experience knew it then as surely as he knows it now.

TABLE D.—Receipts, etc., in United States 3 per cent 10-20 bonds of 1898.

Awards in—	Amount.	Market price.	Market value.	Treasury moneys deposited in national banks.	Free moneys in Treasury, including deposits in national banks.	Free moneys in Treasury less than deposited in banks.
<b>1898.</b>						
June .....	\$26,514,837	* 104	\$27,575,490	+\$28,239,350	+\$195,754,815	\$167,575,456
July .....	74,870,043	* 104	77,864,844	38,795,631	305,657,571	168,861,940
Aug .....	57,623,104	105	60,504,259	58,206,108	254,844,215	196,578,107
Sept .....	27,956,135	105. 4	29,465,756	65,968,467	294,487,085	228,578,618
Oct .....	8,704,897	105. 6	9,192,371	80,888,712	307,557,504	226,668,792
Nov .....	2,470,284	105. 5	2,006,149	95,014,969	300,238,275	205,223,306
Dec .....	950,263	107	1,026,407	94,641,001	292,376,700	197,735,789
<b>1899.</b>						
Jan .....	249,893	108	269,884	94,860,916	204,764,685	199,903,779
Total .....	199,348,456	.....	208,505,100	.....	.....	.....

\* Estimated.

+ On the 1st day of the month.

Appreciation of bonds, \$9,156,644.

On January 31, 1899, United States 10-20 year 3 per cent bonds of 1898 to yield 2.543 per cent must sell for 108, to yield 2.46 per cent must sell for 109, to yield 2.29 per cent must sell for 111 $\frac{1}{2}$ , to yield 2 per cent must sell for 116 to yield 2 $\frac{1}{2}$  per cent must sell for 107 $\frac{1}{2}$ .

There is no justification in selling bonds for a less price than they are worth on the market under the plea of a "popular loan." There can be no such thing as a popular loan in this country, as it is understood in France. Our people do not keep their savings on their persons, in their houses, or bury them in pots in their gardens. It is believed that not more than 5 per cent of the \$200,000,000 loan of 1898 is owned by persons who have property to the value of \$10,000 or less. There is very nearly \$50,000,000 of

that loan already in the Treasury, either as security for Treasury money deposited in banks or for circulating notes taken out by banks. I insert the following slip from the Worcester, Mass., Evening Gazette, of August 6, 1898:

“HOW THE WAR BONDS WERE SUBSCRIBED FOR.

“The Citizens’ National Bank has received most of its subscription of \$66,000 in Government war bonds, and has the assurance that the small balance will arrive in a short time. The bonds are all of the denomination of \$500, and were subscribed for by 132 friends of the bank, each in his own name and under his own address. The bank sent the money for the lot by a single New York check, which was made possible from the fact that the institution was one of those designated by the Government for receiving subscriptions.

“The subscribers signed an agreement to hand over to the bank the bonds as soon as received, and already the great part of the precious papers are deposited in the vaults of the bank. The Quinsigamond National Bank expects to receive \$10,000 in \$500 bonds, procured in much the same way as were those of the Citizens’ Bank. Word of the acceptance of the bid has already arrived. As the profit on these bonds is already \$5, the investment is a good one. Other banks subscribed for the bonds in larger amounts, and consequently do not expect to be successful in getting them, as the issue will be consumed in bonds of the small denominations.”

THE PEOPLE ROBBED.

Mr. Speaker, what is true of that loan which that bank took is true of nearly every dollar of that loan. It is not held in banks, but by bank officers and their friends. It is too gilt-edged at the price they paid for it to be put in public institutions for the interest of stockholders. It is held by private persons, by the bankers of this country, or by the banks themselves to an amount of at least \$190,000,000 of the total \$200,000,000, and yet the law still stands. If the Secretary of the Treasury is obliged to sell \$200,000,000 more bonds he will be obliged to waste from \$15,000,000 to \$30,000,000 more. The Republicans who are responsible for such foolish legislation have the task before them of making the people believe from the stump that that law is the very acme of sound Republican financial wisdom. They are also to bring this wisdom to the indorsement of the bill H. R. 10289 and of the doings of the Indianapolis Monetary Commission lobby.

I yield five minutes to the gentleman from Indiana [Mr. JOHNSON].

Mr. JOHNSON of Indiana. I desire to occupy the time only for the purpose of asking the gentleman a question. He was talking a bit ago of a committee composed of the members of this House to take into consideration the currency question and devise a system of banking and currency to be presented for the legislation of this House. Now, do you expect that the next Congress, on the eve of the next general election, is going to pass any banking and currency legislation at all? For my part I do not.

POLITICAL DYNAMITE IN CURRENCY LEGISLATION.

Mr. WALKER of Massachusetts. Neither do I. It would result in the certain defeat of the Republican party if it did. There is more dynamite to the square inch in anything connected with the United States Treasury and our banking and currency system

than in any other subject that can be presented for legislation. The people who would be benefited by the legislation to which the gentleman refers are now fooling with unlimited coinage of silver, and if you attack this question at all just before instead of just after election it is certain to swamp the party. The Speaker of the House knows that that has been my opinion from the first. I was interested in having the committee educated now up to deciding on what should be done at the proper time—on what shall be done in the future, when we are in a position where it will be possible for us to do anything. December, 1896, is not December, 1899.

Mr. Speaker. I believe I have but five minutes remaining.

Mr. COX. Will the chairman of the Committee on Banking and Currency yield now for one question?

Mr. WALKER of Massachusetts. I will not yield under any circumstances to the gentleman from Tennessee [Mr. Cox], for I have not the time.

The SPEAKER. The gentleman from Massachusetts declines to yield.

#### THE CHAIRMAN'S DIFFICULTIES ILLUSTRATED ON THE SPOT.

Mr. WALKER of Massachusetts. Mr. Speaker, I want to call the attention of the House to the difficulties the chairman of the Committee on Banking and Currency has labored under in the committee, as illustrated by what is taking place here and now.

With reference to the treatment of the President's recommendations, the gentleman from Connecticut [Mr. HILL], and the gentleman from Indiana [Mr. JOHNSON], on the floor of this House, labored indefatigably to defeat one of the most specific pledges given by the party at St. Louis, doing all they could against them here and in committee. The pledge had been given that the Republicans would do all that could be done to secure international bimetallism, and they did everything they could against making the only effort possible in providing a commission to visit Europe, absolutely oblivious of the pledges of their party.

#### BANKING REFORM NEVER PROMISED BY PLATFORM OR PRESIDENT.

The party platform or the President never promised to reform the banking and currency and the Treasury system of this country, and are not responsible for it in any degree whatever. They have promised to continue to maintain the parity. It is true that this great reform in our Treasury—banking and currency—must come, in order to maintain parity without having it cost us from fifty million to seventy million dollars a year. But the people of this country are not yet ready for this banking and currency reform. They had rather still further sacrifice the fifty to seventy millions of dollars a year until they get good and ready. It is not our business, as Congressmen, to do it unsupported by the people. It is the business of the people to first demand it, then we can safely act, and not till then.

Mr. JOHNSON of Indiana. Does not your bill contemplate a banking and currency reform?

Mr. WALKER of Massachusetts. I do not yield; and, further, I want the Sergeant-at-Arms to appear, if necessary, to protect my time.

The SPEAKER. The gentleman declines to be interrupted.

Mr. WALKER of Massachusetts. A man has a right sometimes to speak of himself. I think it is recorded somewhere that

a man in speaking of himself said that he "had fought a good fight and had finished his course." In my office of chairman of the Committee on Banking and Currency I have, in my speeches and writings, exhausted this question as far as it can be exhausted, upon the issues already raised, and finished my course. But my reports and speeches, to the committee mostly, and on the floor of the House, are ignored by nearly every man, so far as I know, in looking for his personal glory. [Laughter.]

No man has patiently investigated any point and come to me with proof that I was in error, as they were in duty bound to do to a man working day and night in pursuit of the truth on this great reform, as I was compelled to do in my office. I again challenge any man in this House and in the country to successfully point out any error or successfully contradict a single position I have taken. The facts I have given are facts taken from official public documents or compiled in the public offices for me and to which you can refer to see whether I am correct or not. Table G shows how few bonds were taken in the South and West.

UNIFORM COURTESY OF THE HOUSE.

Finally, Mr. Speaker, I want to thank this House for its uniform courtesy to me during my ten years' service. I am not one who prophesies smooth things. I go for the truth direct, with but little regard for who stands between me and the truth as I see it. And yet never on this floor excepting on three occasions in my ten years' service has any gentleman objected when I asked unanimous consent—the gentleman from Massachusetts, my colleague [Mr. BARTLETT], the gentleman from New York [Mr. BENNETT], and the gentleman from Connecticut [Mr. HILL].

Mr. BARTLETT. Nobody on this side.

Mr. WALKER of Massachusetts. Nobody on that side. In fact the opposition party are entirely ready to listen to an independent man, whether he be Republican or Democrat [applause]—entirely ready.

Thanking the House for its uniform and abundant courtesy, I yield the floor. [Applause.]

TABLE G.—Receipts on account of subscriptions to the \$ per cent 10-30 loan of 1898.

Office.	1898.						January, 1898.	Total
	June.	July.	August.	September.	October.	November.		
Washington.....	\$12,289,210.00	\$59,782,085.31	\$19,102,763.08	\$22,497,115.94	\$2,787,536.58	\$1,426,634.56	\$50,870.64	\$172,640.78
Baltimore.....	935,140.00	700,620.00	1,349,566.29	296,612.37	164,785.72	\$1,252,420.21	4,377,428	6,911.80
New York.....	2,756,744.00	1,550,744.00	27,461,978.29	4,223,762.95	3,649,451.59	738,082.32	344,549.13	40,779,659.52
Philadelphia.....	2,152,470.00	770,258.00	2,256,333.59	255,652.86	114,858.15	39,556.29	22,351.50	3,511.85
Boston.....	1,984,941.00	555,360.00	2,845,000.75	128,410.22	47,487.10	38,569.98	20,140.14	4,614,972.24
Cincinnati.....	1,755,860.00	568,286.00	2,751,342.13	143,616.41	300,494.38	88,295.77	4,910.68	1,327,623.20
Chicago.....	3,632,246.80	306,568.00	2,608,140.02	367,296.30	1,180,626.63	101,886.69	53,486.47	8,003,485.67
St. Louis.....	985,540.00	34,120.00	698,162.65	95,723.79	112,906.44	3,230.71	2,686.07	2,303,145.64
New Orleans.....	97,480.00	723,520.00	72,387.20	1,489,93	4,258.14	1,116.95	3,633.16	220,446.38
San Francisco.....	601,080.00	478,630.03	31,074.51	15,287.67	5,163.78	3,386.87	1,278.70	1,859,201.36
Total.....	26,514,838.90	74,870,043.31	57,623,104.03	27,956,135.08	8,704,887.41	2,470,283.47	850,262.88	248,883.04
Selling price in the market....	* 104	* 104	105	105.4	106.6	105.5	107	108

\* Estimated.

OFFICE OF THE TREASURER OF THE UNITED STATES, February 7, 1899.

**UNITED STATES TREASURY AND BANKING AND  
CURRENCY PROBLEMS.**

---

**WE HAVE THE WORST FINANCIAL SYSTEM IN THE WORLD.  
DOUBT, FEAR, AND PANIC INHERENT IN IT.  
PANIC OF 1893 SURE TO BE REPEATED.**

---

**S P E E C H**

**OF**

**HON. JOSEPH H. WALKER,  
OF MASSACHUSETTS,**

**IN THE**

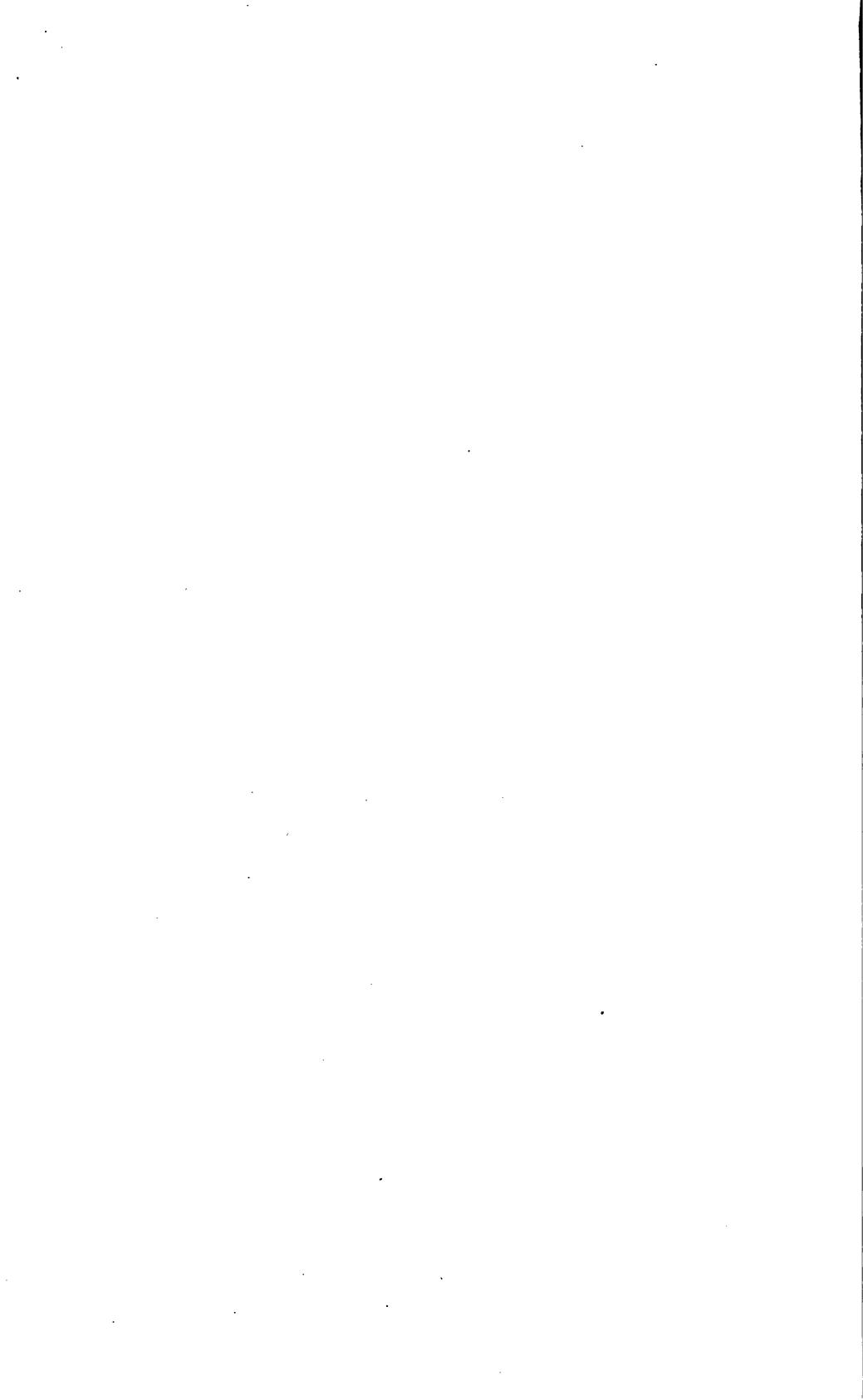
**HOUSE OF REPRESENTATIVES,**

**TUESDAY, FEBRUARY 14, 1899.**

— • —

**WASHINGTON.**

**1899.**



## S P E E C H O F HON. JOSEPH H., WALKER.

The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. 12006) making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1900, and for other purposes—

Mr. WALKER of Massachusetts said:

Mr. CHAIRMAN: In the time allotted to me I shall speak on the currency problems of the United States.

Before proceeding with the discussion we must find some common ground to stand upon, else our facts will be ignored and our conclusions impotent.

All the data upon which I have formed what I shall say, and every fact and argument, are given more fully in part 2 of House Report 1575, Fifty-fifth Congress, second session.

### THE GOLD STANDARD.

I do not second the cry for a new declaration for the gold standard, and thus admit that we were not put on a gold standard by Jackson, Benton, and a Democratic Congress in 1834, and have not had a gold standard ever since. Neither would I attempt to abolish any of our money, desirable as it may be to do so.

That would be attempting to take a second step before the first. And this notwithstanding we have four hundred millions more of gold and four hundred millions more of silver than economic conditions justify our having.

### STATESMANSHIP.

Furthermore, I am of the opinion that we do not compliment our statesmanship by unnecessarily offending a single prejudice or false opinion.

### SEVENTY MILLION DOLLARS WASTED.

I am for making as few changes as possible, in order to make rational fear of maintaining parity impossible, to give the South and West banking facilities, and to save the \$70,000,000 per annum now needlessly wasted in maintaining parity by the Treasury.

### BANKING AND CURRENCY CONDITIONS.

"The currency problems of the United States" are clearly revealed in a plain statement of our banking and currency conditions, as compared with those of France, Germany, England, and every other highly civilized nation.

While the countries named have systems varying to some degree, all may be said to be normal. That of France is built down from the top, having one bank, with branches extending into every community, like her government.

Our people insist that our banking and currency system shall be built up of units at the bottom, each bank independent of all others, as are the men in a town who together make the body politic.

**FREE BANKING.**

Our free banking law, allowing any five reputable citizens anywhere to form a bank by getting together the required capital, will never be abandoned, nor need it be.

A system individual as to each bank, but united into one solid structure for all purposes where union is necessary, will give us a banking and currency system as much superior to the banking and currency system of France as our institutions are on a more solid foundation.

**RANKING COMPLETE IN ITSELF.**

All human experience proves—

First. That it is not possible to have a sound banking and currency system in this country, as there never has been in any other, while it is not complete in itself. It must be wholly separated from any organic connection with the Government Treasury, as is that of France, Germany, England, and every other first-class country, the United States alone excepted.

**UNION OF BANKS.**

Second. That it is not possible to maintain the parity between paper money and gold where a multitude of independent banks exist, excepting by restricting the legal-tender coin to gold alone, as in England.

**MAINTAINING PARITY.**

Third. That where there are two or more kinds of legal-tender money, each differing widely from the others in intrinsic value, as paper, silver, and gold, it is impossible to maintain parity without making a union of all banks sufficiently solid to make each one and all equally responsible for maintaining the parity of all moneys in circulation and practically making all banks act together as one whole for maintaining parity, as in France, Germany, etc.

**A MISERABLE FAILURE.**

Nearly every government has tried the banking and currency experiment the United States is now trying, and everyone trying it has miserably failed.

There are no two opinions on our utter failure since 1893, especially in view of the fact that we are wasting \$70,000,000 annually in trying the experiment. Up to 1893 it was the fashion to pronounce the financial and banking system of the United States the best the sun ever shone upon.

**IMMEDIATE REFORM DEMANDED.**

To-day there is scarcely a man in the country who has any interest in questions pertaining to economics, if there is even one who is not demanding its immediate reform.

**WORST FINANCIAL SYSTEM IN THE WORLD.**

Hon. James H. Eckels, ex-Comptroller of the Currency, in answer to a question by the chairman, said to the Banking and Currency Committee: "Yes; the United States has the worst financial and currency system of any leading nation."

Upon the above being read to Hon. Charles S. Fairchild, ex-Secretary of the Treasury, and his opinion asked, he replied: "I think it is the worst," and Secretary Gage concurred in Mr. Fairchild's statement.

**NO TRUE BANK CURRENCY.**

In fact, all writers on finance, banking, and currency are a unit in condemning our system, those of Europe declaring that there is not a dollar of "true bank currency" or really sound currency in the United States.

A brief examination will justify as thoroughly intelligent the unfavorable opinion of it generally held.

On January 1, 1899, we had of—

United States legal-tender notes .....	\$346,681,016
Silver coin (when all bullion is coined) .....	600,000,000
Currency certificates .....	20,640,000
National-bank notes .....	243,817,869
Total moneys required to be kept at a parity with gold .....	1,211,188,885
Gold in the Treasury .....	282,174,966
Outstanding gold certificates .....	35,201,939
Net gold in the Treasury .....	246,978,027
Other free moneys .....	44,957,520
Total free moneys in the Treasury .....	291,930,547
The stock of gold in national banks is .....	266,464,000
Other banks, trust companies, etc., about the same .....	266,000,000
Gold certificates .....	35,201,939
Visible gold in banks, etc. ....	567,665,939
Free gold in United States Treasury .....	246,973,027
Total visible gold .....	814,638,966
Gold hoarded and in circulation as currency .....	135,061,084
Total gold coin and bullion .....	949,700,000
Total gold in France .....	810,600,000
Total silver in France .....	\$419,800,000
Total currency in France .....	741,000,000
Total currency and silver .....	1,160,800,000
Gold in Bank of France .....	375,400,000
Total gold in Germany .....	668,500,000
Total silver in Germany .....	\$212,800,000
Currency issued by Imperial Bank .....	817,000,000
Currency issued by other banks .....	43,220,000
Total currency and silver .....	572,020,000
Gold in Imperial Bank .....	\$142,000,000
Gold in other banks .....	13,930,000
Gold held by banks .....	155,930,000
Total gold in the United Kingdom .....	438,000,000
Gold in the Bank of England .....	192,680,000
Gold in the Bank of Scotland .....	27,500,000
Gold in the Bank of Ireland .....	14,880,000
Total .....	235,060,000

## REDEMPTION GOLD.

It appears that France has gold in bank available for the current redemption of each \$100 of her total of silver and paper a little over \$32; Germany, \$27; the United States Treasury, \$19. Redemption gold in the United States Treasury, only \$7.

The Secretary of the Treasury reports only \$100,000,000 as "redemption gold," as he may well do, as the balance can be only ordinary money, in the Treasury, otherwise the Secretary would have only \$45,000,000 free moneys.

This makes the percentage of gold to redeem \$100 of silver and paper money only \$7.70, instead of \$19.70.

All the visible gold in this country would be "redemption gold" actually in the banks did the law require our banks to maintain parity. It would be \$63.80 to each \$100 of paper and silver money; double, instead of less than one-quarter, that of France.

It would be nearly twice and a half that of Germany, instead of a little more than one-quarter as now. It would give us eight and one-fifth times the redemption gold we now have. What words can be too hot in condemnation of such a condition of our finances?

But even this \$100,000,000 of redemption gold in the Treasury, little as it seems as compared with the \$800,000,000 we have in the country, would be ample for gold redemption were it legally liable for redemption purposes in the banking system of the country, instead of outside of it in the United States Treasury.

## CAPITAL AND CASH RESERVE.

National and State banks of loan and discount have \$560,000,000 of cash reserves and \$1,350,000,000 of actual capital, a total of \$1,910,000,000 to use in protecting \$100,000,000 gold to maintain parity. They now have \$582,000,000 of gold, more than twice as much as the total gold in the United States Treasury and more than five times as much gold as the Treasury has of gold to use in redemption, and yet they are under no legal obligation to redeem in gold, a dollar of paper money.

## PROTECTING GOLD.

The banks have six and one-half times more funds that they can use in protecting gold than the total moneys in the United States Treasury.

They also have absolute power to protect every dollar of gold they have by raising the rates of discount, as is always done with perfect success in England, France, Germany, etc., while the United States Treasury is absolutely powerless to protect a dollar of its gold in good times or bad, from Israelite or Christian living in any part of the world.

Why do not currency reformers recommend the imposition of a straight legal obligation upon banks to redeem in gold?

The visible gold daily used is less than \$10,000,000. Every empirical practice conceivable is recommended for a cure by the very men who know the only possible cure. This indubitable statement reveals what is really the most discouraging "banking and currency problem in the United States."

## ENGLAND AND FOREIGN COMMERCE.

Only foreign commerce tests the "measure-of-value coin" in the banking system of any country that has a normal system. England, as the clearing house of the world, needs four times the gold that is needed in this country, and she has less than half as much.

**BANKS SHOULD REDEEM IN GOLD.**

But of the \$438,000,000 of gold in Great Britain, her visible gold, viz., \$285,000,000, is in her banking system, where it can be protected by her immense banking capital and cash reserves, by raising discount rates.

Her banks are required by law to bear the burden of redeeming in gold.

Our banks are absolved from this duty, which is fundamental to sound banking.

Germany has only \$156,000,000 of gold in her banking system, which is protected by all the cash reserves held by banks plus their capital, and is also effectively protected by the power to increase rates on discounts.

So with France. To raise the rate of discount on loans is a quick and sure protection of gold in banks. Then why hesitate as to a remedy?

The absolute confidence, not only of every man in England but of the world, in the certainty of parity being maintained with gold of every dollar of paper money, and all banking funds as well, is not because of the amount of gold in England, for it is relatively very small, but because every dollar of her visible gold is in her banking system.

England has not one dollar in visible gold where we actually have three and a half; and, relatively to the demands on her gold, not one dollar where we have fourteen.

So with France, and so with Germany, and wholly because the visible gold is in banks, and banks are compelled by law to maintain parity by redeeming paper money in gold.

**BANKS ONLY CAN MEASURE VALUES IN COIN.**

There is no device known to man for legitimately using a "measure-of-value coin" excepting by banks, and that in exchanging evidences of debt, which again are titles to products; and there is no way of protecting gold in that function excepting in raising or lowering the rate of discount, a thing impossible to a public treasury.

**EXPORTING AND IMPORTING GOLD.**

There are hundreds of millions of dollars in the \$2,500,000,000 of deposits in our banks waiting to be invested in bonds or stocks when they shall have been depreciated a little and to a price that will pay the buyer a larger income than normal.

Millions of these funds are controlled in Europe, as there are millions in European banks controlled in this country, that await investment in stocks and bonds when rates of discount are raised, so as to slightly depress the price of bonds to a point that will pay a little more than a normal income.

These stocks and bonds are always shipped from one country to another—gold only to a very slight amount. In 1891 the balance of exports over imports of gold, taking into account our gold production, only depleted our gold \$700,000. In 1892 it depleted it \$25,000,000. In the commercial agony of 1893 we actually gained \$29,000,000 of gold. In 1894 our net loss was \$41,000,000. Taking the bad years of 1893 and 1894 together, we lost only \$12,000,000 of gold.

Balance of trade for or against a country is not a controlling influence in the movement of gold.

No one wants gold excepting in times when he thinks he may not be able to get it.

The certainty of getting gold "on demand," plus a higher rate

of interest, will take gold to any place, regardless of whether that place has a sound or unsound currency and of every other circumstance or condition.

We increased our accumulations of gold by over \$300,000,000 during suspension of specie payments.

A doubt of getting gold on demand or a lower rate of interest will send gold away from any place regardless of every other condition, as is proved by all experience.

#### Doubt, Fear, Panic.

The seeds of doubt, fear, and financial panic inhere in and are inseparable from any system of government treasury issuing or redeeming paper money.

They may lie dormant, as they did in 1892, and as they do now, but we may be sure they are germinating.

The fury of each succeeding financial storm will exceed the previous one, even as that of 1893 did all that went before it. This is necessarily so.

The manufacturing, trading, transporting, and banking interests of the country are increasing with tremendous rapidity, and their delicacy and intricacy are increasing in a far greater ratio than their volume.

#### OUR INDUSTRIAL SYSTEM IN PERIL.

Every man that is so situated as to be compelled to study the situation can not help shuddering as he thinks of the peril to the whole industrial system of this country, involving billions on billions of dollars; far past human comprehension.

Their lifeblood is the two and a half billions of dollars of bank deposits, and these billions are made serviceable by \$1,000,000,000 of currency, and that currency depends for its value on being instantly and certainly redeemable, and there is now only one hundred millions of gold legally liable for this redemption.

Even that gold is not in normal contact with our currency in our banking system, but stored away in the United States Treasury. It is as much outside the financial and banking system of the country as though it were held by any one of a thousand individuals, sole or corporate.

Remember the United States is only a huge business individual enterprise, with no more banking resources than any other person.

#### PAPER MONEY A TITLE TO PRODUCTS.

The whole theory and practice of sound paper money is that the person receiving it from the bank gives the bank a title to products in his possession, in his time note, to an amount equal to the amount of paper money he receives.

These products pay, cancel, and destroy the paper money he received for his time note when the note is paid.

The banks in this country have in their possession \$2 worth of property over and above all they owe to depositors with which to redeem each dollar of silver and paper money in the country, provided they were responsible for such redemption. The United States Treasury has only 23 cents and 4 mills, supplemented by the power of taxation.

#### TREASURY RESPONSIBLE FOR ALL PAPER MONEY.

It will not do to reply that the Government is responsible only for the \$346,000,000 of legal-tender notes.

When questioned before our committee, ex-Secretary of the Treasury Carlisle, ex-Secretary Fairchild, Secretary Gage, and Comptroller Eckles declared that, while the United States was re-

sponsible for keeping the parity between any two kinds of money in general circulation, it was inevitably responsible, in the last analysis, for keeping every dollar of existing money at a parity by gold redemption.

**DUTY TO MAINTAIN PARITY INDIVISIBLE.**

Again, the duty of maintaining parity is not susceptible of division. Two parties can not by any possibility be equally responsible.

**NORMAL REDEMPTION ONLY POSSIBLE TO BANKS.**

The very existence of sound paper money is only possible in a currency that has potential and actual daily gold redemption, and daily redemption is only possible in a "true bank circulating note," viz., a circulating note issued against their assets, and for which the bank receives the personal-property note (products) to a like amount with which to redeem the notes, such as are issued in England, France, Germany, and in every country excepting the United States.

A government is a consumer and destroyer of every dollar's worth of products it receives for the currency it issues, and in the nature of the case can legitimately have nothing with which to redeem the currency it pays out.

A bank is a preserver and increaser of every dollar's worth of products it receives in the time note of its customer for the currency it issues, and in the nature of the case must have in its possession more dollars' worth of products with which to redeem every dollar of its currency than it had when it paid it out for the personal time notes of its customers.

Currency issued by a bank is a certificate of actual deposit of products in the bank and their preservation.

Currency issued by a government is a certificate of the consumption of products.

**UNSCIENTIFIC AND WASTEFUL.**

Not only is our financial system the most unscientific and insecure of any ever devised that maintained its paper money at a parity with gold, but it is the most wasteful.

**OPPRESSIVE TO AGRICULTURAL SECTIONS.**

It especially oppresses those sections of the country that most need the fostering care of the Government, and as a consequence they voted for free silver in 1896.

Those States are nearly \$500,000,000 short in banking funds as compared with the per capita in those same States in 1860, taking for a basis the nine oldest States in the group, while the New England, the Eastern, and the Middle States are overbanked by from 5 to 20 per cent. The proof of this is found in the fact that some of the banks in the richer States are obliged to buy bonds to employ their funds in excess of what they might legitimately buy as a reserve. They now hold about \$600,000,000 of United States and other bonds.

Others are forced into reducing their capital, into consolidation or liquidation, by the savings banks and trust companies that own their stock.

**INCREASES DISCOUNT RATES.**

In the strictly agricultural States discount rates on commercial paper are from one-quarter to one-third higher than normal, and far higher than in 1860. Banks are practically prohibited in agricultural communities by the national banking law, and this because it compels abnormal banking.

Finance and banking are as old as civilization. Their present

form and substance are as much the result of natural law as that of anything in animate or inanimate nature.

BANKING A NATURAL DEVELOPMENT.

The banking and currency of all nations follow the natural lines of development, varying only in minor details, excepting that of the United States. Ours departs widely from fundamental principles, and is therefore insecure and wasteful, as will appear if we examine the kinds and amount of our various forms of money.

We have of gold coin and bullion .....	\$950,000,000
Silver coin .....	600,000,000
United States legal-tender notes .....	347,000,000
Currency certificates .....	20,000,000

Total money issued by the Government .....	1,917,000,000
National-bank notes .....	244,000,000

Total money in the country ..... 2,168,000,000

Of this \$1,500,000,000 of coin every dollar our people have proved they need or desire by actual use we must have. Every dollar more than that is actual waste.

Where paper money is as satisfactory to the people, 5 per cent interest is lost on every dollar of gold or silver needlessly used.

WASTEFULNESS ADMITTED.

Every one admits that where a thing costing \$100 is used where a thing costing nothing will do the work as well, or better, wear and tear and interest is lost on \$100. A friend of mine used 22 horses to do the work around his factories and 2 miles to the station. He put in an electric railway to the station, and now keeps only 2 horses.

For him to still incur the expense of the keeping, depreciation, and loss on the 20 horses discarded, because he once needed them, would be no more uneconomic and foolish than for this country to have a single dollar's worth of coin more than is necessary to make our currency sound plus what is demanded by our people to hoard or to use as currency, foolishly or wisely.

AMOUNT OF SILVER AND GOLD NEEDED.

We have only been able to keep in actual circulation, after spending thousands of dollars to get them into circulation, silver dollars to the amount of \$65,000,000, and subsidiary silver, \$70,000,000, a total of \$135,000,000. Call our actual needs of silver money \$200,000,000. We actually use \$150,000,000 gold for hoarding and currency. One hundred million dollars redemption gold is in the Treasury, \$250,000,000 only in daily legitimate use, thus leaving \$700,000,000 gold absolutely out of reach of our banking system for a fundamental use, showing a chaotic condition in our banking and currency. England successfully conducted the exchanges of the world for forty years on less than \$150,000,000 visible gold, but it was in bank. The Bank of England now has less than \$200,000,000 with which to make the gold exchanges of the world.

HOW THE WASTE IS MADE.

Assuming we need \$300,000,000 of gold in the "bank cash reserve held" in a sound banking system, we can safely have in addition \$200,000,000 United States legal-tender notes and 200,000,000 silver dollars, making up the \$700,000,000 cash reserve that would be needed when the South and the Northwest have the same amount of banking funds per capita they had in 1860. The exhibit under

our present system and under a scientific system would be as follows:

Present gold in the country.....	\$950,000,000
Need for hoarding and currency .....	\$150,000,000
In cash bank reserves .....	300,000,000
	<hr/>
Unnecessary gold .....	500,000,000
We have silver .....	\$800,000,000
Can use legitimately only.....	400,000,000
	<hr/>
Unnecessary silver .....	200,000,000
Legal-tender notes.....	\$346,000,000
Can use legitimately only.....	200,000,000
	<hr/>
Unnecessary legal tender .....	146,000,000
Currency certificates .....	20,000,000
National-bank currency .....	244,000,000

Total amount of the money that should be  
bank paper money..... 1,110,000,000

Not one dollar of this is now earning a cent to the banks or saving one dollar of interest to the people by lowering discount rates.

This is an anomaly never before seen in any country where parity was maintained between paper money, silver money, and gold. In Germany, in France, and in every other country, this \$1,110,000,000 would be earning full interest by keeping the rate of interest on loans down by the proportion that this \$1,110,000,000 bears to the whole volume of discounts in the country, a total sum at 5 per cent on it, or \$55,500,000.

#### LOSS OF INTEREST ON TREASURY BALANCES.

But we are also carrying in the public Treasury \$291,000,000, while England, France, and Germany average about \$80,000,000, leaving \$260,000,000 more than is necessary, provided we had a sound financial system.

We must continue to carry this vast amount, as we have done for twenty years, in order to give the people confidence that the Treasury is able to maintain parity.

This again is worth 5 per cent in the pockets of the people before it was taken from them in taxes, or \$18,000,000.

#### LOSS IN TREASURY ADMINISTRATION.

In addition to this it costs to administer our Treasury system, because of our violation of the principle of normal banking, about \$1,500,000 more than it costs any other nation. These three items, aggregating \$70,000,000, are utterly wasted.

That these things are uncontestedly true, is shown by the testimony of Secretary Gage, ex-Secretary Fairchild, given on incidental matters, and the other experts who came before our committee.

#### AMOUNT OF PAPER MONEY NEEDED.

Assuming that there is a legitimate demand for the amount of money we have and that this \$1,200,000,000 that requires gold redemption was issued by our banks, as the paper money of France and Germany is issued, our bank loanable funds would be increased by this \$1,200,000,000.

#### HIGHER DISCOUNT RATES COMPELLED.

Interest rates now compelled in order to pay 6 per cent dividends on bank capital would then be reduced just as much as it

would be by adding \$1,200,000,000 to the deposits, or as this sum is to about \$4,000,000,000 capital and deposits and currency, less the reserve, three-tenths of 1 per cent, or from 5 per cent to 3½ per cent.

#### REDUCTION IN INTEREST TO AGRICULTURAL STATES.

This reduction of present rates of discount would not come to the overbanked cities of the middle North and Northeastern States, but wholly to the agricultural sections of the country, where only currency can be used, and where the having of banks is impossible, without the privilege of issuing "true bank currency."

It would come especially in those States which voted for soft money in 1896 and which are now short of banking funds by nearly half a billion dollars.

As it is to-day, not a dollar is added to the loanable funds of our banks by this \$1,200,000,000 of redeemable money.

#### CURRENCY AND DEPOSITS IDENTICAL.

Deposits entered on the pass book of a borrower and currency issued by a bank to a borrower are identical in substance.

In the case of deposits the check that draws out the deposit is made by the depositor.

In the case of currency, which in substance is identical with the check, it is made by the bank and given to the borrower at the time the loan to him was made.

The borrower uses currency at any time, as the check can be used at any time. The check can only be passed from man to man by each writing his name on the back of it, but, whoever holds it, it is his check on his funds in the bank.

Currency passes from man to man without indorsement, but it remains a bank check of the man who holds it against his funds in the bank.

#### USE OF UNITED STATES BONDS OPPRESSIVE.

There is no more sense in requiring a bank to buy United States bonds to the amount of the obligations it assumes in accepting the proceeds of a man's time note that it discounts and gives him its own currency notes for, than there would be in compelling the bank to buy United States bonds to the amount of obligations it assumes in accepting deposits and allowing the man himself to make his own currency to draw it out, viz., his own check.

When a bank discounts a time note for a customer for \$1,000 and the proceeds are left on deposit, its funds are not depleted by one cent so long as the deposit remains. When a bank discounts a time note for a customer for \$1,000 and the proceeds are given the customer in "true bank currency," such as banks issue in every country in the world excepting this, its funds are not depleted one cent so long as the currency is not returned to the bank for redemption.

When the bank is obliged to surrender as many dollars in buying bonds as it gets of currency, its capital is depleted by every dollar of currency it has in the bank.

#### CITY BANKS FAVORED—COUNTRY BANKS OPPRESSED.

Because city banks are allowed to do business by accepting the only form of deposits their customers can use, viz., bank deposits, and country banks are not allowed to do business by using the only form of deposits their customers can use, viz., currency in the hand of the borrower, interest is necessarily nearly twice as high in the country as in the central reserve cities.

If the \$650,000,000 deposits now in the banks in the central re-

serve cities were taken off their books by the issue to their customers of \$650,000,000 of currency, and their customers were compelled to use this currency instead of their own checks and drafts, it would greatly inconvenience their customers, but it would not increase the risk of the banks by the smallest fraction.

#### UNITED STATES, FRANCE, GERMANY.

This fact is recognized in every European country, and was acted on in this country up to 1860.

The national banks in the central reserve cities have \$4.38 in deposits and 12 cents in currency to each dollar of capital. Total, \$4.45. The Imperial Bank of Germany has \$4.59 in deposits and \$10.85 currency to each dollar of capital. Total, \$15.44. The Bank of France has \$2.64 in deposits and \$21.05 currency to each dollar of capital. Total, \$23.69. Can anyone be found so rash as to assert that the Imperial Bank of Germany is made any less secure than our banks for the reason that its deposit liability in the form of currency issued is 90 times that of our banks, or that the Bank of France is any less secure because it has a deposit liability in the form of currency issued 175 times as great as have our banks for currency issued?

Banks in cities can not issue currency. Their customers can not use it. City business requires checks, drafts, etc., identical in substance with bank currency. The customers of banks in strictly country districts can not use checks, drafts, etc. Their business requires currency.

For this reason the national banking law practically discourages banks in all strictly agricultural districts and States.

#### CITY AND COUNTRY RATES COMPARED.

Banks in strictly agricultural States to-day would have to charge 7.34 per cent under precisely the same conditions as to loans that New York banks can loan for 2.98 per cent, each to pay 6 per cent dividend on stock.

Under the European system, or under the best banking system the world ever saw, viz., the old New England Suffolk system, rates of discount on loans in the country districts to-day would be about 4.55 per cent.

As I have before said, four-fifths of the \$70,000,000 taxation, direct and indirect, falls on the people of the States voting for soft money in 1896, not in banks charging higher rates of interest, as the few that exist surely do, but in the oppressions arising from their lack of banks, being to-day about \$500,000,000 short of banking funds as compared with 1860.

If this does not justify men in voting for free coinage, in their desperation, it certainly furnishes them some excuse.

#### CHANGE IN SENTIMENT.

Up to the date of my address before the department of commerce and finance of the World's Fair at Chicago, on June 21, 1898, in exposition of the anomalies and hardships of our national banking law, I had always heard our banking and currency system extolled as the best the world had ever seen. In six years all this is reversed. To day there is no one well informed in the matter who does not think it the most unscientific and wasteful.

Having the facts that show its shortcomings, we are brought to the question of what is the least change in the banking law that is necessary to remedy existing evils.

## SOURCE OF EXISTING EVILS.

(1) The fundamental evil is in requiring the United States Treasury to redeem any part of the money used, in order to maintain parity.

(2) The prohibition to banks of the issuing of "true bank currency," as banks do in every other country, by requiring them to buy bonds to the amount of the currency they issue, thus absorbing the capital invested in bonds.

## REMEDY.

Combine our banks through clearing houses, and make them legally responsible for the maintenance of parity, and allow each bank to issue currency to the amount of its capital, without robbing it of its paid-in capital in the purchase of bonds, and our banking and currency system will be transformed from the worst in the world to the best in the world.

## REMEDIES PROPOSED THAT WOULD NOT CURE.

There have been considered in the Committee on Banking and Currency five general bills:

(1) The Carlisle bill of December 11, 1894, H. R. 8149, Fifty-third Congress.

In the hearings on this bill the "Baltimore plan" of October 11, 1894, was considered.

(2) Gage bill of December 16, 1897, H. R. 5181, Fifty-fifth Congress.

(3) Indianapolis commission bill of January 6, 1898, H. R. 5855, Fifty-fifth Congress.

(4) McCleary bill of April 5, 1898, H. R. 9725, Fifty-fifth Congress.

(5) Hill-Fowler bill of May 11, 1898, H. R. 10289, Fifty-fifth Congress.

## TRUE REMEDY.

In addition to these, there is the Walker bill, introduced in 1889, which has been a constant study since, and modified from time to time to May 18, 1898, and is now H. R. 10838.

I have held this bill back from formal consideration in order that all other bills might be first considered.

The result is that it never has been formally considered by the committee. I will venture first to say a few words of that bill.

First. It relieves the United States Treasury from all responsibility for the current redemption of any kind of money by putting it on the only organizations known to man that can legitimately maintain parity, viz., banks.

Second. It takes the United States bonds out of the banking system and allows banks to issue "true bank currency."

All currency is issued to banks by the Comptroller and guaranteed by the Government in case of insolvency.

A tax of one-fifth of 1 per cent is put upon the currency in actual circulation, which it is estimated will yield four times the amount necessary to the guaranty.

Third. It saves sixty of the seventy millions now lost in direct and indirect taxation.

These three things, and only these, does it propose to do, and it surely does them.

It retains every real advantage of our national system.

It makes national the old New England Suffolk bank system.

## BAD STATE BANKS.

The memory of the wild-cat banks of Michigan, Illinois, and the Northwest, with a few swindling concerns in Mississippi and the

extreme Southwest before 1863, together with the bond-secured system of New York, has closed the minds of our people to the excellencies of the old State banks of New England, the Atlantic States, and Louisiana.

They were as sound and as well managed as our national banks, and with less insolvency.

Of course we can not go back to State banks now, but we should incorporate into our national system all the good there was in them.

#### SUCCESS A DUTY.

Again, we must not forget that success in legislation is a duty in trying to secure reforms in our finances, as it is in everything else.

#### THINGS THAT CAN NOT BE DONE.

We must therefore ascertain what the people will not allow to be done, as well as what ought to be done, in order to know on what lines we can proceed in reform.

First. They will not allow the United States legal-tender notes to be retired either by selling bonds, using the surplus revenues, or by changing them into gold certificates; and Congressmen will not face defeat in voting for such propositions.

Second. They will not allow a law to be passed that in terms demonetizes the silver dollar by setting aside a gold fund to redeem them, and thus invite their presentation to the Treasury to be redeemed in gold.

Third. The people will never consent to allow banks to put in circulation any currency not gotten of the Comptroller of the Currency and the payment of which is not guaranteed by the United States; and this because of the memory of the few bad State banks, which has tainted the memory of all State banks, good and bad alike.

Every bill formally considered by the committee runs counter to all three of these settled convictions of the people.

#### REMEDIES PROPOSED AGGRAVE ADMITTED EVILS.

As every remedy proposed in each one of the five bills formally considered by the committee is incorporated in the Hill-Fowler bill, and as that bill was adopted by the Indianapolis convention as the final result of all financial wisdom, we need consider that only.

#### DIVIDING TREASURY FUNDS.

Its propositions are:

First. To separate the money in the Treasury into two parts, the one part to be used for general purposes and the other part to be an "issue and redemption fund" set apart to redeem legal-tender notes and silver dollars, to be administered under rigid rules embedded in statute law.

The proposed division is purely a matter of administration. It can be so done to-day without legislation.

Nothing could be worse than to bind the hands of the Secretary of the Treasury in the use of any part of his funds by rigid law.

Every business man knows that the financial manager of a corporation, in an exigency, must have every dollar of its funds at his command.

With part tied up out of reach, failure may be inevitable, when the crisis might be tided over could the last dollar of its resources be used. The same is true of the United States Treasury.

How, then, can two "tills" in which to keep the Government money instead of one avert or allay panic?

There would be two funds to watch and to alarm the people instead of one. The division of Treasury funds, in essence, can be nothing more than a question of bookkeeping as far as liability is concerned.

This *ignis fatuus* has its origin in the two departments of the Bank of England.

That division of funds has never been approved by a single financial institution anywhere by its example being followed.

It has confessedly intensified every panic in England, and has been suspended in emergencies.

It is condemned by every European financial writer and by most of those in England. It is treated as a matter of bookkeeping by nearly all writers on finance.

#### DESTROYING LEGAL-TENDER NOTES AND MAKING BANK NOTES LEGAL TENDER.

Second. It is proposed to destroy the present United States legal-tender note and allow the banks to issue the same amount in a purely bank note, and make these bank notes legal tender.

Is it conceivable that this operation can help our case? And this is to be done by compelling the banks to buy what are called "reserve bank notes" and pay United States legal-tender notes for them, the latter to be destroyed.

But the gold redemption of these reserve notes is not put on the banks that issue them, but is put on the United States Treasury.

Nowhere in the bill is the responsibility for redeeming a dollar of paper money put upon the banks. How, then, can this scheme relieve the Treasury in the slightest degree?

#### A GOLD RESERVE TO REDEEM SILVER DOLLARS.

Third. It is proposed ultimately to retire all United States "legal-tender notes," and these "bank-reserve notes" as well, but still to leave the United States Treasury responsible for the maintenance of parity.

The bill requires a gold reserve equal to 5 per cent of our silver money to be kept in the Treasury.

Secretary Gage, ex-Secretary Fairchild, and all witnesses before us agreed that the Treasury was really liable for the gold redemption of every dollar of the \$1,200,000,000 of redeemable money.

They also said that for every dollar of Government paper withdrawn or canceled this large sum would still be kept good by the issuing of additional bank currency.

How, then, can the slightest relief come to the Treasury by retiring \$346,000,000 of one kind of paper money and adding a like amount of another kind of paper money, when the Treasury is equally obliged to redeem all paper money?

How can it relieve the Treasury to withdraw the \$346,000,000 legal-tender notes and pay out the \$100,000,000 gold now held in the Treasury for the redemption of all moneys, and substitute by law \$600,000,000 of silver for legal-tender notes as gold extractors from the Treasury, and depend upon \$30,000,000 of gold instead of \$100,000,000 for the redemption of all moneys?

It is true the bill proposes that no paper money shall be issued to banks under \$10; but this is bad, and only bad. It deprives the country banks of their rights to the tune of \$274,000,000 of the \$5-note money we now have and can be no relief to the situation.

But we are told that there will be such a demand for this \$600,000,000 of silver certificates that the banks can not get any of them to present to the Treasury for gold when we only have in \$1, \$2, and \$5, in all kinds of paper money, a total of \$377,000,000.

Let us see how this works out.

Paper money in common use by the people averages to be deposited in banks five times a year.

That shows that \$250,000,000 of these silver certificates must necessarily be deposited in banks by retail merchants every month or they can not pay their debts.

Is there any doubt about foreign bankers and traders getting all the silver money they want to demand, any amount of gold of the Treasury they choose to ask for?

#### BANKS TO ISSUE TAXED PAPER MONEY WITHOUT GOVERNMENT GUARANTY.

Fourth. The next proposition is to allow all banks to issue currency secured by bonds up to the amount of 40 per cent to capital; then they may issue 60 per cent against assets.

This 60 per cent has no Government guaranty; the last 20 per cent of this 60 per cent is to be taxed at the rate of 6 per cent per annum.

Remember, city banks can not use currency, because it would come back to them the next morning through the clearing house.

This tax, therefore, all falls on country banks. Our present \$1,200,000,000 of redeemable money is 90 per cent of the actual capital of State and national banks. The country banks can average to circulate 80 per cent; minimum, 60; maximum, 100; average, 80 per cent.

Let us see how this bill works out as between one extreme, the central reserve city banks, and the other extreme, the strictly country banks.

#### OPPRESSIVE TO COUNTRY BANKS.

It requires the country banks, as a license fee to do business, to buy United States bonds to ten times the amount that the city banks must buy, and also to take out twice the amount of reserve notes the city banks buy, and pay for them in legal-tender notes.

It fails to recognize that bank currency is identical with deposits.

Why does not the bill require the central reserve city banks to pay the same tax on their deposits in excess of 80 per cent to capital; as the country banks are required to pay on their deposits in the form of currency issued?

The city banks are to pay nothing, while the country banks would have to pay \$1,800,000. The Bank of Germany under this rule would be obliged to pay in taxes on the notes it issues \$17,000,000, and the Bank of France \$42,000,000 per annum. If the central reserve city banks were treated the same as country banks, they would have to pay in annual taxes \$31,000,000.

Need any more be said to show how unscientific as well as unjust to country banks such a provision would be?

#### DEPRECIATES THE QUALITY OF OUR PAPER MONEY.

Fifth. The propositions, if enacted into law, would make paper money no better by making it any more safe, freely issued, abundant, uniform, or elastic than now—in many of these respects not as good.

#### TO BREAK THE ENDLESS CHAIN.

Again, it is claimed that this bill, if enacted, will break the "endless chain."

I really do not think, bad as it is, that the bill is as bad as that. We all know that the condition precedent to the existence of the poorest kind of promise to pay that can be called money is that it is in its circulation an "endless chain."

When it really stops moving in potential and actual gold re-

demption it is indeed very poor stuff. So much for the final effort at financial reform.

**CITY BANKS CAN NOT KEEP THEIR CURRENCY IN CIRCULATION.**

Because banks in large cities can not keep any considerable amount of currency in circulation in normal times is no reason why they should not take out true bank currency, as it would be no expense to them when not in circulation under a proper banking law.

Banks in cities doing a country business can probably keep in circulation an amount equal to 10 to 20 per cent to capital; but the average in all banks would be scarcely 5 per cent. It did not average 10 per cent in 1860, when far more could be used by city banks than now.

This would leave about \$200,000,000 of currency in the reserve cities that might be deposited in the clearing houses as an "emergency fund," being contributed to the clearing house in each city pro rata to capital.

This fund could be loaned to banks to the amount of 75 per cent of face value of approved commercial paper deposited as security.

Such an arrangement would not be open to the objections that lie against a "clearing-house currency."

**A LIMITED UNION OF ALL BANKS NECESSARY.**

To unite all banks of loan and discount under the sanction of law, through clearing houses, is fundamental to any relief to the situation so long as we have two or more legal-tender moneys.

Let the United Kingdom wake up some fine morning and find in her legal-tender money one-half the amount of silver we have, and at 16 of silver to 1 of gold she would be on a silver basis in a week, unless her independent banks were in some way united into a solid union to maintain parity.

Let the Bank of France be divided into as many independent banks as she has branches, and she could by no possibility maintain parity between her paper money, silver, and gold.

**THE UNION OF ALL BANKS NOW EXISTS.**

We now do it, through the union of all the banks, in the United States Treasury, and by the Treasury being a member of the New York clearing house, but at an enormous expense and great daily peril, as I have shown.

**BAD LEGISLATION SHOULD BE RESISTED.**

Can I be justly criticised for not favoring a scheme that would pile up several hundred millions more than there now is in the Treasury and increase expenses by ten to fifteen millions per annum, and then leave us in a worse plight than we now are?

**WHY NOT REFORM BY DEGREES?**

But why not reform our currency by degrees, allowing the people the benefit of a part now?

Yes; why not build a bridge across a river, requiring four arches, by installments, building one arch and let the people use that, and a few years later the second, and so on? No relief can come to travel without a completed bridge. So with banking and currency reform.

Let me say again:

First. To abolish reasonable fear and to prevent 1893 panics the United States Treasury must be relieved from the current redemption of all paper money and of maintaining parity.

Second. The maintaining parity must be devolved by law on the

only agency known to man that is capable of discharging that function, viz., banks.

Third. Securely uniting all commercial banks through clearing houses, by law, to maintain parity, and leave them as independent in all other things as now.

Fourth. Restore to banks the right to issue currency against their assets, enjoyed by all other banks the world over and by every bank in this country until the people were robbed of it in 1863 in order to levy a forced loan upon them to make a market for bonds.

#### THE DOMINANCE OF PETTY AMBITIONS.

Finally, no man or class of men have any moral right to force themselves between the people for their personal aggrandizement, insisting on any particular bill, and refusing to consider the array of official figures and facts conclusive in the matter that I have presented here and elsewhere.

#### WISDOM, PREJUDICE, ETC.

Neither must it be forgotten, as it has been thus far, that every form of wisdom, prejudice, and ignorance that pervades the masses of our people is represented in Congress, and must be reckoned with.

Any bill drawn by any man that makes sure each of the four things necessary to complete the financial bridge should have the support of every one of us.

Any bill that fails in any one of them would be an economic and political blunder equal to a crime. It would not compliment our statesmanship and should have our active opposition.

#### STATEMENT OF USE OF GOLD ELABORATED.

The misapprehension as to the use made of gold arises from the fact that the movement of gold is not studied upon the facts of its actual use and the ascertained facts brought to the test of inductive reasoning, but rather upon the assumption of error to be fact, and then deducing certain alleged facts from the errors and proclaiming them for truth.

#### TWO REALMS OF WEALTH: BANKS OF LOAN AND DISCOUNT; TRUST COMPANIES.

There are two realms of wealth, the borders of which are constantly changing and apparently intermingling, viz: Productive wealth, mostly real estate and its developments, and consumable wealth, mostly products and their making and handling.

Gold coin (as coin) can not be consumed and can earn no income. It is neither productive wealth nor consumable wealth. It simply measures the value expressed in all paper obligations.

Banks of discount, currency and coin, about \$4,000,000,000, are inextricably mixed together, each being a part of the other. They handle only consumable wealth, valued at \$25,000,000,000. They are very slightly affected by the handling of or the movement of productive wealth.

Saving banks, loan and trust companies, investment companies, building and loan companies, insurance companies, cooperative banks, benefit associations, etc., as well as individuals, unlike banks of discount and deposit, handle productive wealth exclusively, valued at \$40,000,000,000. Each class of moneyed institutions fails in the sphere of the other. While wealth is always in process of being transferred from one realm to the other, the percentage of transfers as compared with the whole volume, in normal conditions, is infinitesimal and of no appreciable influence.

The balance in such movements only shows that the accumulations in one realm can be more profitably employed in the other.

#### MONETARY CRISSES OR PANICS.

Monetary crises or panics always begin in the realm of consumable wealth. Demands are then immediately made on the productive realm to supply any vacuum made by a panic in the consumable realm for stocks, bonds, etc., for export, that otherwise would have to be answered by gold. Of course it is individuals embarrassed by the panic that have to furnish these so-called solid securities. The popular forms of expression are, as to particular persons, "He has gone too deeply into real estate or railroading" and "He tried to own his plant when he ought to have hired it," etc.

#### GOLD SCARCELY MOVES.

For the reason given gold never actually "moves" in large volumes. It is inevitable that millions of bonds and stocks take the place of gold, as all experience prove they do. The following tables establish and enforce these facts, as they show gold scarcely ever moves to any great amount.

#### GOLD FREE TO MOVE.

When currency and coinage laws leave gold free to move in compliance with the laws of trade, it is in accordance with all business experience that gold never moves from or into any country to any amount greater or smaller than is necessary to restrain or induce to normal conditions the business activity of the country, any more than the balls of the regulator of the engine describe a circle of more or less diameter than is necessary to keep the engine at its normal speed.

#### IMPORTING OR EXPORTING GOLD.

The importing or exporting of gold is regulated by the imperative demands of the foreign trade of a country, and is not actual to any extent but potential. The things really imported or exported for gold, their price being forced up or down to cause the doing of it, are stocks and bonds, titles to productive wealth brought out of the realm of productive wealth into the realm of consumable wealth to be imported or exported, as the case may be, in place of gold.

#### PAPER-MONEY OBLIGATIONS.

Of course every money obligation known to finance in banking, as paper money, note, or draft, is a title to the whole or some part of consumable wealth. Whether it be near or at the antipodes is wholly immaterial to the bank. The financier or banker takes no cognizance of the location or movement of products to which he has a title. He cares only for their value and safety. Therefore, whether the merchant in Chicago or Cincinnati buys products in San Francisco, New York, Liverpool, Paris, China, Japan, or Mexico, obligations of ownership of which come into possession of a banker, their payment has no influence on the movement of the world's measure of value metal between countries, whether it be silver or gold, as payment is not made in gold, but in titles to products.

#### NO TRADE BETWEEN COUNTRIES.

There is no trade between countries. The ocean or national boundaries are not known to trade. All trade is between individuals. The movement of gold across the ocean has no more significance than its movement across any parallel of latitude or

longitude. As the world's measure is now a grain of gold, I use the word gold for brevity. The ownership of products being in any country, or the movement of products themselves from one country to another, gives no hint of what the movement of gold will be.

#### POPULAR BELIEF.

The law of the movement of gold is as inexorable but different from the law governing the movement of other products. That the popular belief as to how and why gold is required for shipment from one city to another, or from one country to another, has no foundation in fact is abundantly proven by the annexed tables. When, why, or how economic law, left free to act, as it is not in this country, will compel the actual shipment of gold is not easy of statement in a paper like this.

#### MEN STRUGGLE FOR PRODUCTS.

A struggle for gold between individuals or nations is apparent rather than real. It is really the struggle of men for products and of titles to products to adjust the balances in exchange that is seen. When the point is reached for gold shipments, increased discount rates for business paper always depreciate stocks and bonds, and these titles to fixed property are shipped instead of gold. It is the same as the repression of and the struggle of steam for release from confinement that gives power to the engine—gold acting in the movement of products as the regulator does to the engine. It is as objectionable, and no more so, as is the struggle of water to find its level that causes it to turn the water wheel that moves thousands of spindles. It is the duplicate in ethics of the struggle of conflicting truths to adjust themselves in practical and beneficent results in advancing civilization. Commercial gold is the "regulator" to commerce as surely as the engine regulator is to it.

#### ACTUAL SHIPMENT OF GOLD.

These tables show that an actual shipment or movement of gold does not depend upon and is not influenced by the fact that the balance of trade is for or against a city or country, or whether a city or country is a debtor or creditor city or country, but wholly upon the condition of the credit of the holder of gold, whether it is good or bad, and whether his credit is becoming better or getting worse. They also show that individuals and nations use less and less gold as they advance in intelligence, are more peaceful, and are richer.

We now use only \$6,000,000 or \$8,000,000 of coin a day for domestic trade and to export. Let a proper banking bill become a law, with a proper clearing-house system, and not \$2,000,000 a day would be used when all banks in the country are operating under it.

#### INTERNATIONAL CLEARING HOUSE.

With the establishment of an international clearing house, which is soon to come, scarcely more than that sum would be used each day in the whole world. In fact, as extremes always meet, and as there is nothing new under the sun, and all things come again, the time is soon coming when all the clearings of the world's commerce will be made each day, by telephone and telegraph, at a single point. It will be simply the changing of gold at a central point from one account to another in a clearing house, as in the days when the balances of the commerce of the world were settled in the Bank of Venice, but little gold going in or coming out of that bank, and by the simple transfer from one account to

another of the final balance of each merchant in all countries in the world's commerce.

THE GOLD PROBLEM.

The difficulty economists and financiers now find in the use of silver is as sure to confront us as to gold, only with tenfold more difficulty, before fifty years are passed as anything not yet proved by actual occurrence. Inventions and new methods are fast relegating nearly all the coin currency of commerce to innocuous desuetude.

It is foreign commerce only that tests the "measure-of-value metal" as to quantity in any financial system, according to the theory of those who fear gold depletion. Experience rightly settles all economic questions. England has maintained gold payments for eighty years by having from 5 to 6 per cent of visible gold to her total commerce.

The United States has had for years from 16 to 18 per cent of visible gold to her foreign commerce. Again, the United States accumulated over \$300,000,000 of gold during the suspension of specie payments. India exports and imports her gold freely and in large quantities, as does Mexico, China, Japan, and all other silver countries—as to that matter, as do all gold-measure-value countries. These two facts alone confound the popular theory as to the demands for and movement of gold.

The United States, again, exports gold averaging 24 per cent of gold to the balance in her favor of exports over imports of merchandise, while England does exactly the contrary. The United States produces from her mines 38 per cent more than her excess of exports.

England, contra to the United States, imports from 4 to 8 per cent of gold to the excess of her imports over her exports. This again proves the popular theory of the movement of gold a delusion.

The figures of production and accumulation of gold are exceedingly interesting, and confusing as well, excepting to those who "know it all."

The world's production of 1891 to 1897, inclusive, was \$1,254,922,600.	
In that time the visible gold in England increased.....	\$48,732,500
In that time the visible gold in France increased.....	118,752,900
In that time the visible gold in the United States increased.....	28,673,537
In that time the visible gold in Germany increased.....	32,250,300

Increase of visible gold in the four countries..... 228,409,237

Where the other \$1,026,513,313 is, is only known to the wise ones who know all there is to know about the movement of gold. The world's production of gold is increasing with very great rapidity, going from \$181,000,000 in 1891 up to \$237,500,000 in 1897. Of course we have no means of ascertaining the amount of commercial gold in India or any other "silver measure of value" country, but India has exported more than she has imported from the years 1891 to 1894, inclusive, \$32,000,000 in gold, and produces none.

With a balance of trade in favor of India in 1891 of \$183,000,000, she also imported \$11,000,000 of gold. In 1892, with a balance of trade in her favor of \$191,000,000, she exported \$18,000,000 of gold. In 1893, with a balance of trade in her favor of \$134,000,000, she imported \$3,000,000. With exports over imports of merchandise in 1894 of \$168,000,000, she exported \$23,000,000 of gold.

The United States from 1891 to 1897 has exported in excess of



her imports of gold the enormous sum of \$224,976,000, but she has increased in that time her store of visible gold by \$78,715,000, as she has produced \$298,691,000 in gold.

#### CAUSES OF THE MOVEMENT OF GOLD.

What, then, do these gold tables and gold figures prove, especially with the example of the Bank of England before us? Absolutely nothing, excepting that the statements made as to the causes of the actual movement of gold have not the slightest foundation in fact.

Second. That just so far as the credit of banks is above the slightest suspicion and interest rates rise above the normal level will gold flow to them, and that just so far as there is a doubt of the future ability or inclination of bankers to pay gold, or as they reduce interest below the normal level, will gold flow from them.

Third. That trade is in no wise between nations, but is always between individuals, and knows no national boundaries, tariffs or no tariffs, excepting as tariffs help or hinder trade between individuals in one country and individuals in another country; that it is arrant nonsense to talk of the boundaries of a country having any more relation to the movement of gold than do the lines of latitude or longitude.

#### DISPUTE EVERY POPULAR THEORY.

Space will not allow a thorough analysis of the gold tables. Studying them, any candid man will be convinced beyond question that they dispute every popular theory concerning gold and show it practically to stand still in every country, without regard to trade balances or whether the countries are what are called "debtor countries" or "creditor countries," and that each must of necessity have the gold necessary to it to carry on the foreign commerce of the country, whether silver or gold measure of value countries.

#### HOW GOLD MEASURES VALUE.

Gold measures value in exchanging paper obligations, which are potentially products themselves, precisely as do scales and measures in the warehouses of countries, and this regardless of whether the country is a gold measure of value country or silver measure of value country.

About 1874 every country found itself being overloaded with silver coin. Now every country is being overloaded with gold coin as well. The production of gold is also rapidly increasing, while the necessity for its use, especially in commercial transactions, is rapidly decreasing. New commercial devices, needing no coin, are very rapidly coming into use. It is therefore clear that the next generation will be confronted with a "gold problem" beside which the "silver problem" of this generation is child's play.

**UNITED KINGDOM.**

Year.	Merchandise imports and exports.	Gold imports and exports.	Percent-age of gold imports and exports to all merchandise imports and exports.	Percent-age of visible gold.	Percent-age of visible gold to foreign commerce.	Percent-age of net imports of gold to foreign commerce.	Percent-age of net exports of gold to foreign commerce.	Production of gold.	Percent-age of product of gold to merchandise exports and imports.
<b>Ending March 31—</b>									
1881	\$3,623,876,820	\$294,949,612	7.81	\$145,020,200	4.37	0.82	0.94	\$67,000	0.0018
1882	3,481,458,645	177,515,010	5.10	152,815,600	4.87	1.51	1.60	51,200	.0015
1883	3,518,108,409	215,785,010	6.50	150,482,100	4.53	1.75	1.78	42,300	.0013
1884	3,519,588,940	210,929,638	6.34	157,825,000	5.98	1.76	1.78	65,800	.0020
1885	3,418,823,020	219,223,210	8.17	248,024,800	7.25	2.08	2.15	107,000	.0031
1886	3,692,382,476	245,674,426	7.40	206,452,800	6.75	1.77	1.77	24,600	.0007
1887	3,626,630,779	239,861,218	8.27	193,752,700	6.34	1.76	1.76	35,100	.0010
Average.....	3,482,925,885	244,753,236	7.08	184,838,100	5.30	1.78	1.78	56,148	.0016

**UNITED STATES.**

Year.	Merchandise imports and exports.	Gold imports and exports.	Percent-age of gold imports and exports to all merchandise imports and exports.	\$	%	\$	%	\$	%
<b>Ending June 30—</b>									
1881	\$1,729,307,006	\$104,585,221	6.05	\$288,941,200	16.70			\$23,175,000	1.92%
1882	1,887,680,910	96,987,781	5.38	267,456,700	14.40			8,033,000	1.77%
1883	1,714,086,116	120,865,226	7.58	276,126,000	16.11			85,955,000	2.08%
1884	1,647,135,194	148,427,180	9.66	279,684,100	18.08			80,500,000	2.55%
1885	1,530,508,130	102,853,241	6.98	284,023,700	17.15			46,610,000	3.26%
1886	1,622,331,612	145,835,012	8.78	285,025,678	17.76			53,088,000	3.19%
1887	1,815,723,868	126,373,855	6.91	311,514,757	17.49	2.45	2.45	57,365,000	3.15%
Average.....	1,686,120,377	122,662,028	7.33	284,007,452	16.76			1.90	2.51%

## GERMANY.

Ending March 31—								
1891 .....	\$1,842,867,800	\$61,615,000	4,42	\$186,920,500	10,14	1,26	.....	\$1,667,800
1892 .....	1,755,749,800	78,135,400	4,45	143,692,000	8,19	.....	2,087,600	.1190
1893 .....	1,756,150,600	57,477,000	3,28	138,758,300	7,90	52	1,498,900	.0883
1894 .....	1,749,208,900	55,156,400	4,90	162,544,600	9,31	3,42	1,141,000	1,026
1895 .....	1,585,507,601	52,768,600	2,24	156,157,000	8,55	50	2,226,100	.1216
1896 .....	1,978,236,400	65,069,300	6,08	196,100,100	9,91	.27	1,189,100	.0616
1897 .....	2,088,890,400	65,069,300	6,16	219,170,800	10,66	.48	1,373,100	.0887
Average .....	1,861,885,800	72,794,000	3,98	171,807,380	9	.74	.....	1,718,667

## FRANCE (SPECIAL COMMERCE).

Ending December 31—								
1891 .....	\$1,600,157,572	\$115,380,043	7,17	\$268,156,800	16,04	1,52	.....	\$115,900
1892 .....	1,476,217,242	96,261,444	6,52	229,770,100	22,34	3,61	120,700	.0888
1893 .....	1,386,334,019	81,512,158	5,96	320,145,800	24,13	2,96	185,300	.0895
1894 .....	1,387,217,870	109,945,107	8,21	389,422,800	20,87	5,11	.....	.....
1895 .....	1,386,058,135	98,165,484	7,02	376,862,000	27,68	.38	.....	.....
1896 .....	1,389,568,807	115,631,507	6,50	329,517,800	23,59	2,11	0,14	.....
1897 .....	1,451,417,627	82,065,915	6,54	376,906,700	25,44	.....	.....	.....
Average .....	1,432,997,640	98,901,806	6,90	348,971,571	24,36	2,13	.....	64,414

## INDIA.

Ending March 31—								
1891 .....	\$619,164,477	\$25,957,700	4,36	.....	.....	3,38	.....	\$2,495,000
1892 .....	612,764,961	19,102,636	3,34	.....	.....	1,38	.....	3,338,300
1893 .....	438,891,768	18,618,632	3,77	.....	.....	1,68	.....	3,813,600
1894 .....	441,991,140	13,946,944	3,13	.....	.....	.38	.....	3,882,900
1895 .....	386,602,604	18,381,173	4,75	.....	.....	2,78	.....	4,656,200
1896 .....	457,740,317	17,550,925	4,10	.....	.....	1,37	.....	6,120,500
1897 .....	363,368,774	16,055,470	3,80	.....	.....	1,51	.....	7,247,500
Average .....	476,508,729	18,494,868	3,88	.....	.....	.....	.....	4,566,288

O. P. AUSTIN, Chief of Bureau.

UNITED KINGDOM.

Year.	Balance of merchandise imports over exports.	Balance of gold imports over exports.	Percent- age of gold im- ports over ex- ports to mer- chandise im- ports over ex- ports.	Balance of merchandise exports over imports.	Balance of gold exports over imports.	Percent- age of gold ex- ports over im- ports as com- pared with mer- chandise exports over imports.	Production of gold.	Percent- age of product of gold to ex- ports over im- ports.
1861	\$614,770,611	\$29,723,096	4.9%				\$67,000	.01
1862	635,126,038	32,834,277	5.1				61,210	.01
1863	620,721,827	26,960,387	4.18				42,800	.01
1864	654,581,096	68,032,020	8.9%				65,800	.01
1865	638,316,811	71,245,539	11.19				107,000	.02
1866	707,738,586	—	—				24,600	—
1867	763,384,059	—	—				35,100	—
Average	663,047,697	27,183,576	4.00				56,143	.01

UNITED STATES.

## GERMANY.

Ending March 31—	\$263,160,600	\$26,661,000	9.36				\$1,567,800	0.22
1861 .....	256,510,250	6,550,600	2.77				2,087,600	.31
1862 .....	211,701,000	9,168,000	4.38				1,498,800	.11
1863 .....	286,962,000	69,756,600	20.35				2,141,000	.73
1864 .....	195,680,000	3,588,800	1.34				2,223,100	1.14
1865 .....	191,389,000	6,426,400	2.38				1,189,100	.00
1866 .....	256,659,200	8,568,000	2.34				1,373,100	.64
Average .....	226,935,900	13,721,200	5.79				1,718,657	.72

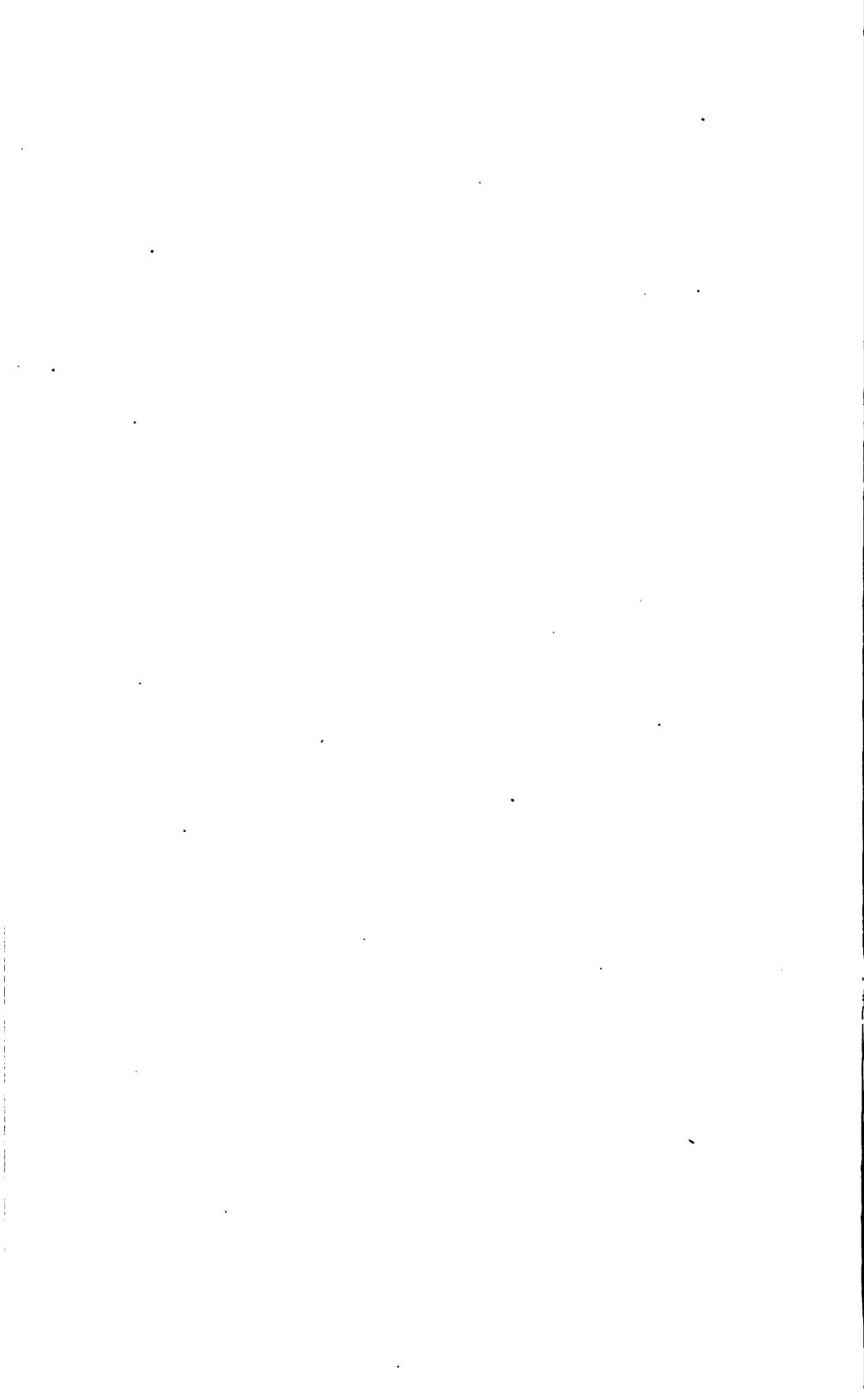
## FRANCE (SPECIAL COMMERCE).

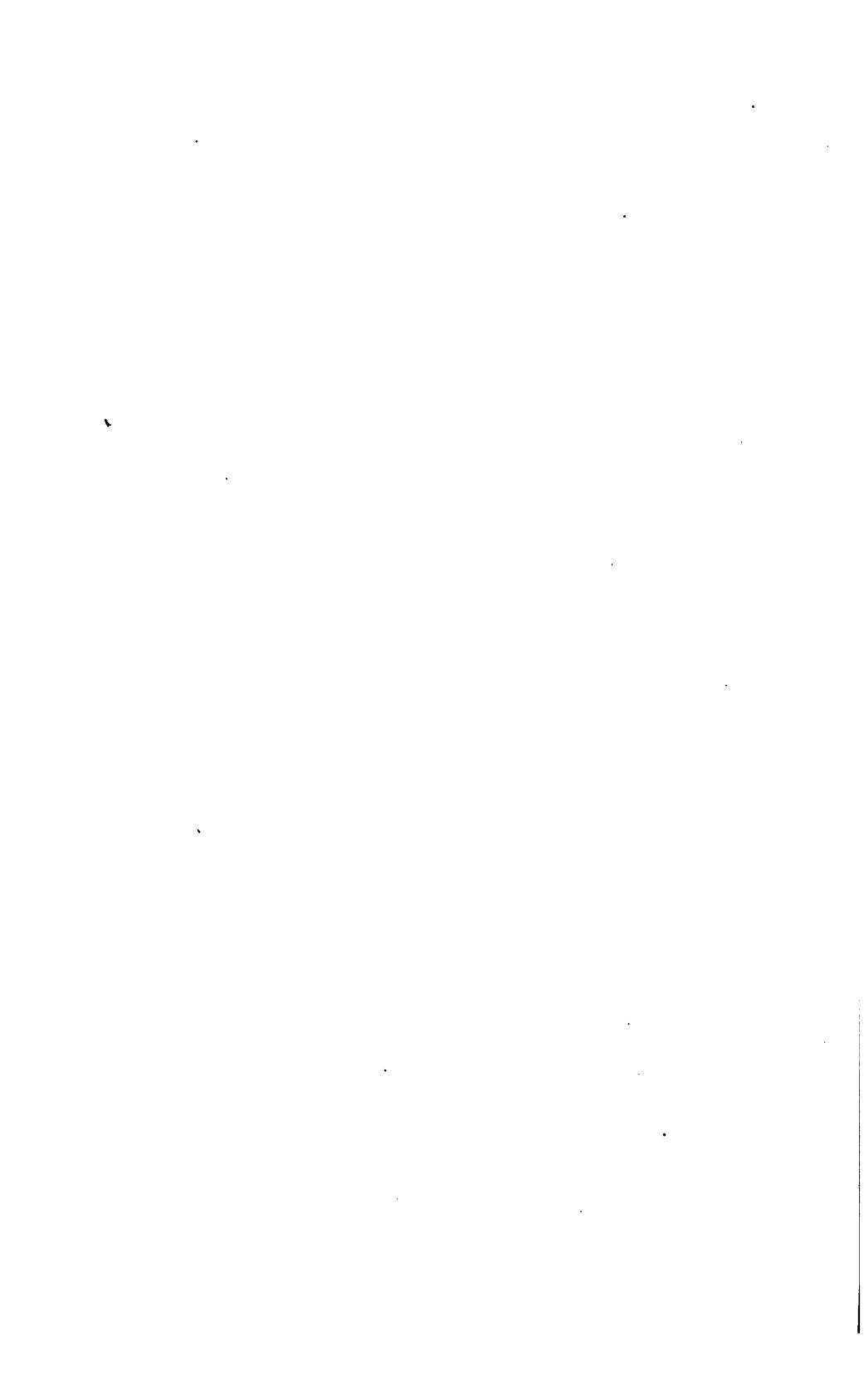
Ending December 31—	\$24,520,000	\$24,520,000	10.51				\$135,900	0.06
1861 .....	140,973,932	15,860,688	88.01				129,700	.06
1862 .....	119,142,181	86,986,954	90.56				185,300	.15
1863 .....	149,163,900	68,310,708	45.35					
1864 .....	64,967,870	1,822,842	2.38					
1865 .....	76,748,187	81,188,388	40.32					
1866 .....	62,681,000	81,188,388	25.33					
Average .....	120,579,397	30,628,987	25.33				64,414	.06

## INDIA.

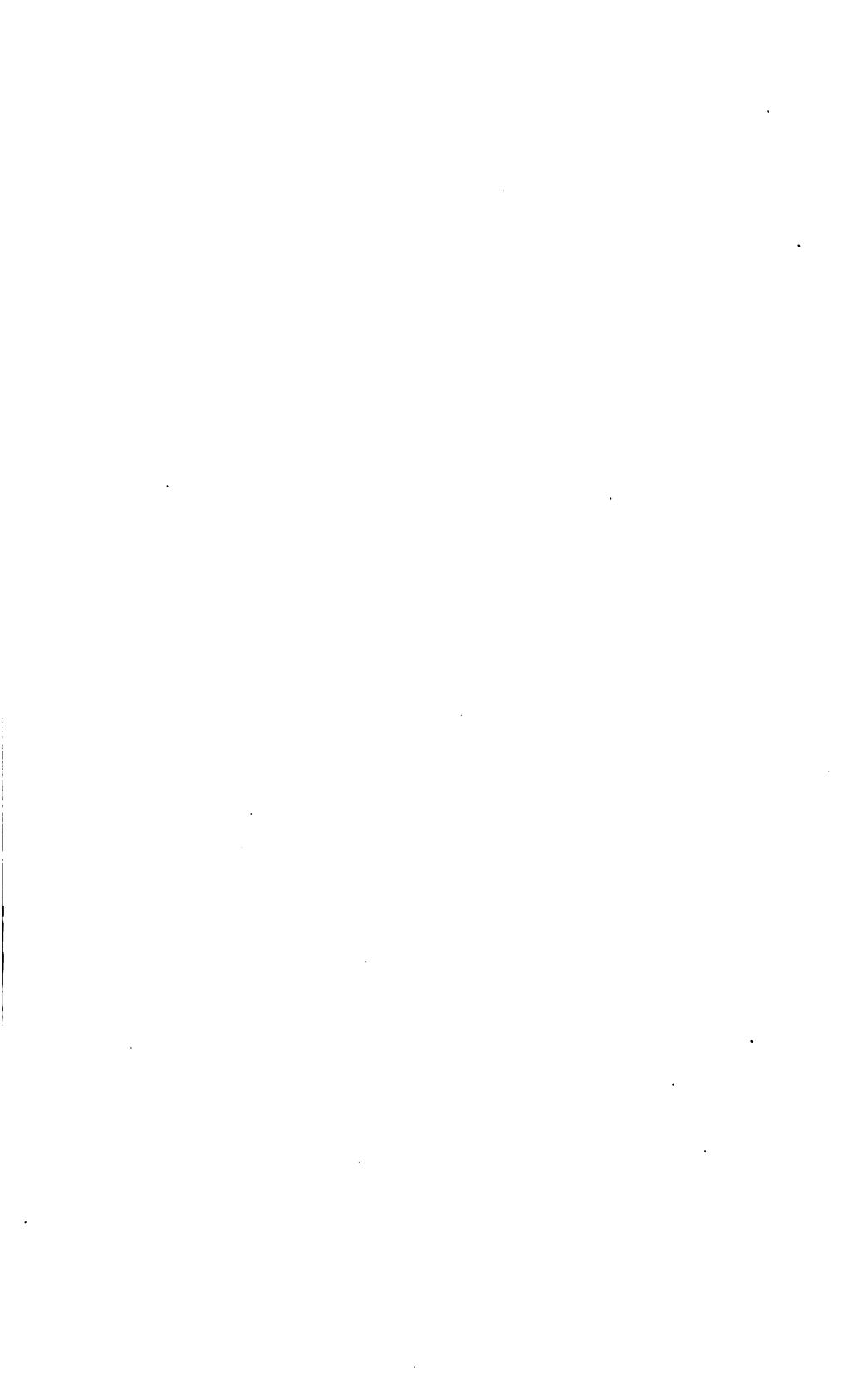
Ending March 31—	\$20,828,389	\$13,829,008					\$2,466,000	
1861 .....	7,917,288	126,954,923					3,816,800	2.19
1862 .....	1,671,062	79,612,161	98,218,084	6.41			8,616,600	2.44
1863 .....		83,478,923					8,882,900	2.97
1864 .....		104,726,916	10,744,041	12.88			4,656,200	4.88
1865 .....		71,999,000					6,180,500	5.53
1866 .....							7,247,500	5.85
1867 .....								10.08
Average .....		103,582,586					4,806,286	4.40

O P. AUSTIN, Chief of Bureau.  
TREASURY DEPARTMENT, BUREAU OF STATISTICS, January 17, 1859.









## UNITED KINGDOM.

Year.	Merchandise imports and exports.	Gold imports and exports.	Percent-age of gold imports and exports to all merchandise imports and exports.	Viable Gold.	Percent-age of visible gold to foreign commerce.	Percent-age of new imports of gold to foreign commerce.	Percent-age of net exports of gold to foreign commerce.	Production of gold.	Percent-age of gold product to merchandise exports and imports.
Ending March 31—									
1881	\$3,623,376,820	\$294,949,512	7.31	\$145,020,290	4.37	0.82	.....	\$67,000	0.0018
1882	3,481,689,785	177,488,945	5.10	152,915,630	4.63	.94	.....	61,200	.0015
1883	3,318,108,409	215,788,010	6.50	160,482,100	6.34	.78	.....	42,300	.0013
1884	3,319,538,840	210,329,683	6.34	167,325,000	6.98	1.76	.....	65,800	.0020
1885	3,418,823,629	279,238,210	8.17	248,025,300	7.26	2.08	.....	107,000	.0031
1886	3,592,382,475	265,674,428	7.40	206,428,900	5.75	.....	.....	24,600	.0007
1887	3,626,580,770	249,861,218	6.27	183,755,750	5.34	.....	.....	35,100	.0010
Average	3,482,695,835	244,763,238	7.08	184,838,100	6.30	.....	.....	56,148	.0016

## UNITED STATES.

Year.	Merchandise imports and exports.	Gold imports and exports.	Percent-age of gold imports and exports to all merchandise imports and exports.	Viable Gold.	Percent-age of visible gold to foreign commerce.	Percent-age of new imports of gold to foreign commerce.	Percent-age of net exports of gold to foreign commerce.	Production of gold.	Percent-age of gold product to merchandise exports and imports.
Ending June 30—									
1881	\$1,729,387,006	\$104,585,221	6.05	\$288,641,300	16.70	.....	.....	\$33,175,000	1.926
1882	1,857,680,610	99,894,781	5.38	287,458,700	14.40	.....	.....	38,000,000	1.770
1883	1,714,086,116	120,855,226	7.58	276,128,000	16.11	.....	.....	38,955,000	2.0877
1884	1,547,195,194	149,427,180	9.65	276,964,160	18.08	.....	.....	36,500,000	2.5533
1885	1,526,586,120	162,952,241	6.68	265,025,700	17.15	.....	.....	43,610,000	3.0276
1886	1,902,881,612	146,885,012	8.78	286,025,618	17.76	.....	.....	63,086,000	3.1942
1887	1,815,723,988	126,873,365	6.91	317,514,787	17.49	2.45	.....	67,388,000	8.1983
Average	1,985,120,377	122,582,002	7.23	284,097,482	16.76	.....	.....	1.90	42,670,148
									2.5172

## GERMANY.

Ending March 31—	\$1,842,807,900	\$61,515,000	4.49	\$186,920,600	10.14	1.28		\$1,657,300	0.0851
1891 .....	\$1,755,740,900	44,455	4.45	\$143,592,000	8.19	.50		\$1,087,600	.1190
1892 .....	1,755,740,400	57,177,000	3.28	138,726,800	7.90	.52		1,498,900	.0853
1893 .....	1,756,180,600	58,156,400	2.84	162,644,600	9.31	8.42		2,141,000	.1226
1894 .....	1,746,204,000	42,758,600	5.08	155,187,000	8.55	.50		2,223,100	.1218
1895 .....	1,825,507,601	60,526,400	5.08	196,160,100	9.91	.57		1,159,100	.0576
1896 .....	1,978,208,400	68,000,300	8.16	219,170,800	10.65	.49		1,875,100	.0667
Average .....	1,851,806,900	72,724,000	3.98	171,607,300	9	.74		1,718,667	.0926

## FRANCE (SPECIAL COMMERCE).

Ending December 31—	\$1,609,157,572	\$115,880,048	7.17	\$228,156,800	16.04	1.52		\$126,900	0.0894
1891 .....	1,476,211,242	98,261,444	6.82	129,770,100	22.94	3.61		123,700	.0088
1892 .....	1,388,886,019	81,612,158	5.96	880,145,800	24.13	2.66		186,300	.0086
1893 .....	1,387,217,270	109,945,107	8.21	389,432,800	29.87	5.11		.....	.....
1894 .....	1,389,058,136	98,163,494	7.02	378,859,000	27.65	.18		.....	.....
1895 .....	1,389,518,307	118,084,507	8.50	389,517,800	26.59	0.14		.....	.....
1896 .....	1,451,417,627	82,165,915	5.54	376,906,700	26.44	2.11		.....	.....
Average .....	1,432,997,640	89,901,806	6.90	948,971,571	24.88	2.13		64,414	.0046

## INDIA.

Ending March 31—	\$619,184,477	\$25,987,700	4.25		8.88			\$2,405,000	0.40
1891 .....	672,761,991	19,102,986	3.24		1.88			6,813,800	.088
1892 .....	483,861,798	18,618,682	8.77					3,813,800	.79
1893 .....	441,961,140	13,946,944	8.13					8,882,900	.87
1894 .....	386,902,004	18,381,173	4.75					4,656,300	1.20
1895 .....	427,740,317	17,550,925	4.10					6,130,500	1.43
1896 .....	388,985,774	15,065,470	8.80					7,947,500	1.84
Average .....	476,502,729	18,494,863	3.88					4,500,380	.94

TREASURY DEPARTMENT, BUREAU OF STATISTICS, January 17, 1899.

O. P. AUSTIN, Chief of Bureau.

## UNITED KINGDOM.

Year.	Balance of merchandise imports over exports.	Balance of gold imports over exports.	Percent-age of gold imports over exports to general merchandise imports over exports.	Balance of merchandise exports over imports.	Balance of gold exports over imports.	Percent-age of gold exports over imports compared with merchandise exports over imports.	Production of gold.	Percent-age of gold of gold imports to exports over imports.	Percent-age of gold of gold exports over imports.
<b>Ending March 31—</b>									
1801	\$614,770,611	\$20,723,098	4.88				\$67,000	0.01	
1802	643,153,658	22,955,277	5.11				51,200	.01	
1803	721,627	25,956,387	4.18				52,800	.01	
1804	694,881,965	68,032,120	8.88				46,800	.01	
1805	636,816,811	71,245,639	11.19				107,000	.02	
1806	707,738,586	1,387					24,800		
1807	763,334,089						36,100		
Average	663,047,697	27,183,576	4.00						
							56,143	.01	

## UNITED STATES.

Ending June 30—									
1801				\$68,664,614	\$68,190,067	172.20	\$63,175,000		\$6,52
1802				202,376,636	495,873	.26	83,000,000		16.37
1803					87,500,463		85,956,000	191,91	
1804					4,528,942	1.91	80,500,000		16.67
1805				237,145,950	31,053,721	30.85	45,610,000		61.73
1806				75,583,200	76,894,852	76.95	53,089,000		61.46
1807				162,982,294			57,388,000		19.86
				287,613,186					
Average				128,416,310	32,150,463	24.32	42,670,143		32.23

## GERMANY.

Ending March 31—	\$253,160,900	\$26,661,000	9.36			\$1,567,900	0.62
1891 .....	256,302,200	6,580,600	2.97			2,067,600	.51
1892 .....	211,701,000	9,168,000	4.38			1,498,900	.71
1893 .....	288,662,000	69,785,600	20.35			2,141,000	1.73
1894 .....	195,638,000	3,588,800	1.34			2,281,100	1.14
1895 .....	191,389,600	5,428,400	2.34			1,139,100	.60
1896 .....	256,659,210	8,568,000				1,373,100	.54
Average .....	256,935,900	13,721,210	5.79			1,718,667	.72

## FRANCE (SPECIAL COMMERCE).

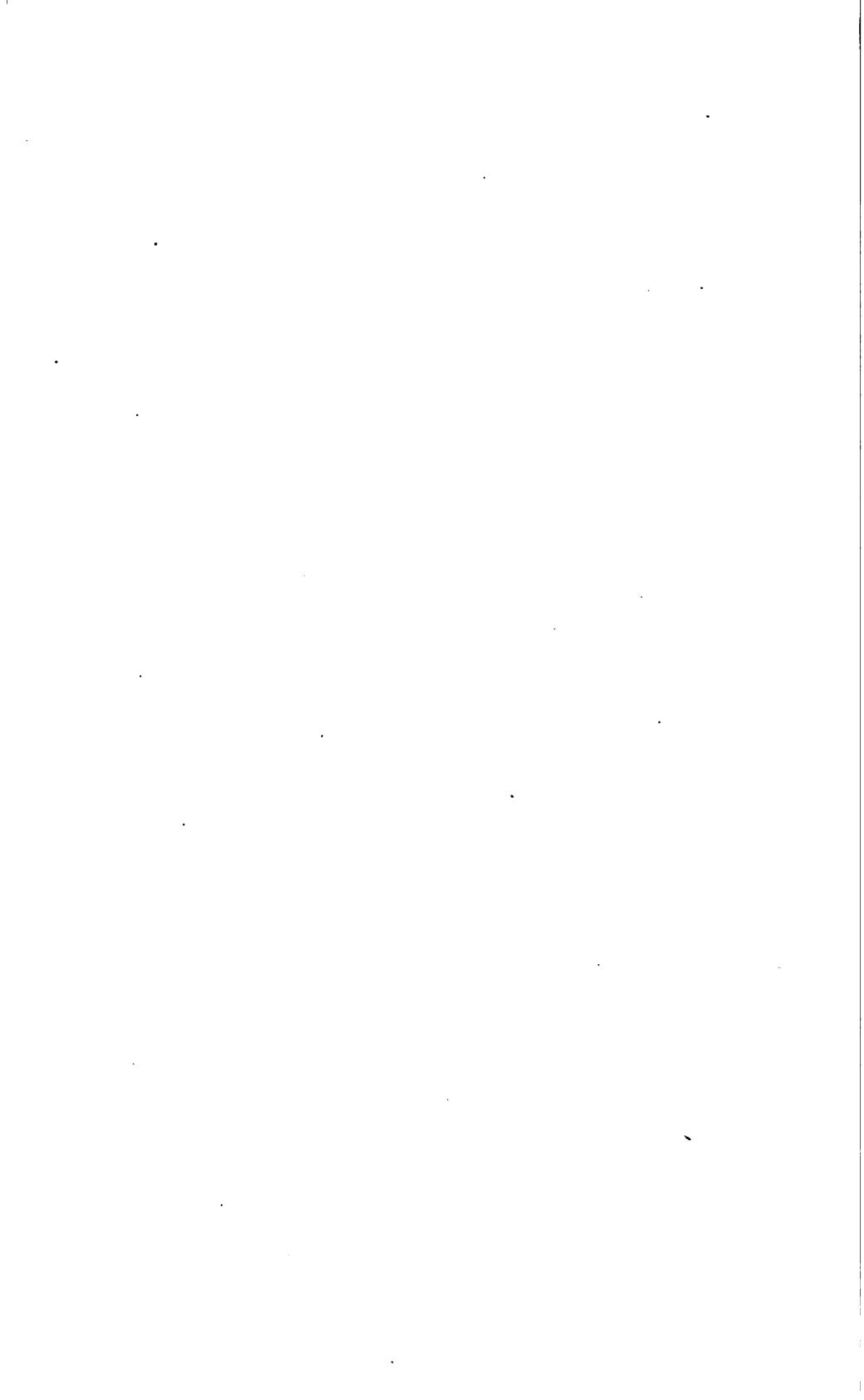
Ending December 31—	\$251,229,100	\$24,586,875	10.51			\$125,900	0.66
1891 .....	140,973,632	63,650,688	88.01			129,700	.06
1892 .....	119,142,181	38,986,954	90.55			186,800	.15
1893 .....	140,063,708	68,310,708	45.55				
1894 .....	64,987,879	1,882,842	2.38				
1895 .....	76,748,187						
1896 .....	62,651,009	31,188,388	40.38				
Average .....	120,579,387	30,582,987	25.38			64,414	.66

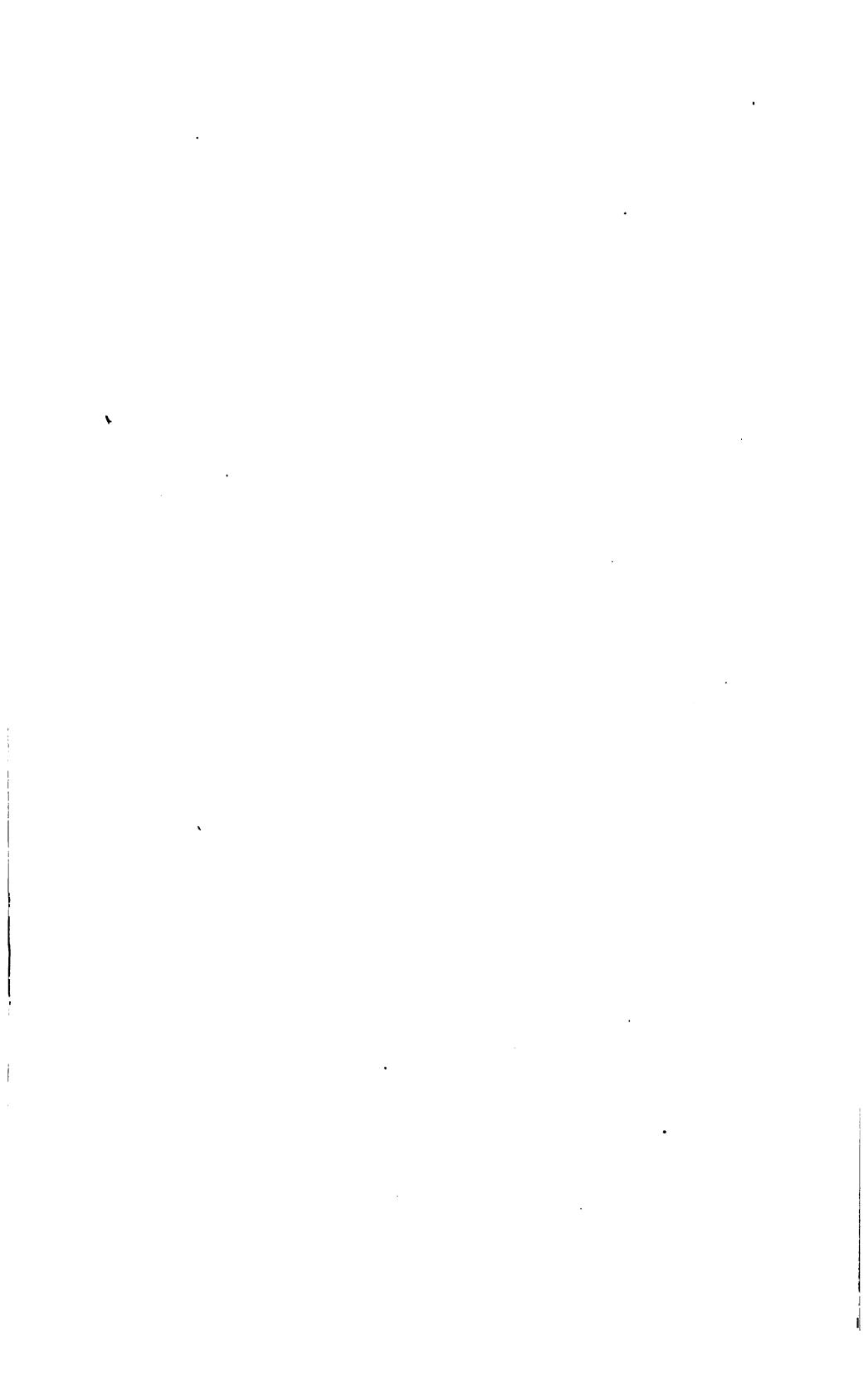
## INDIA.

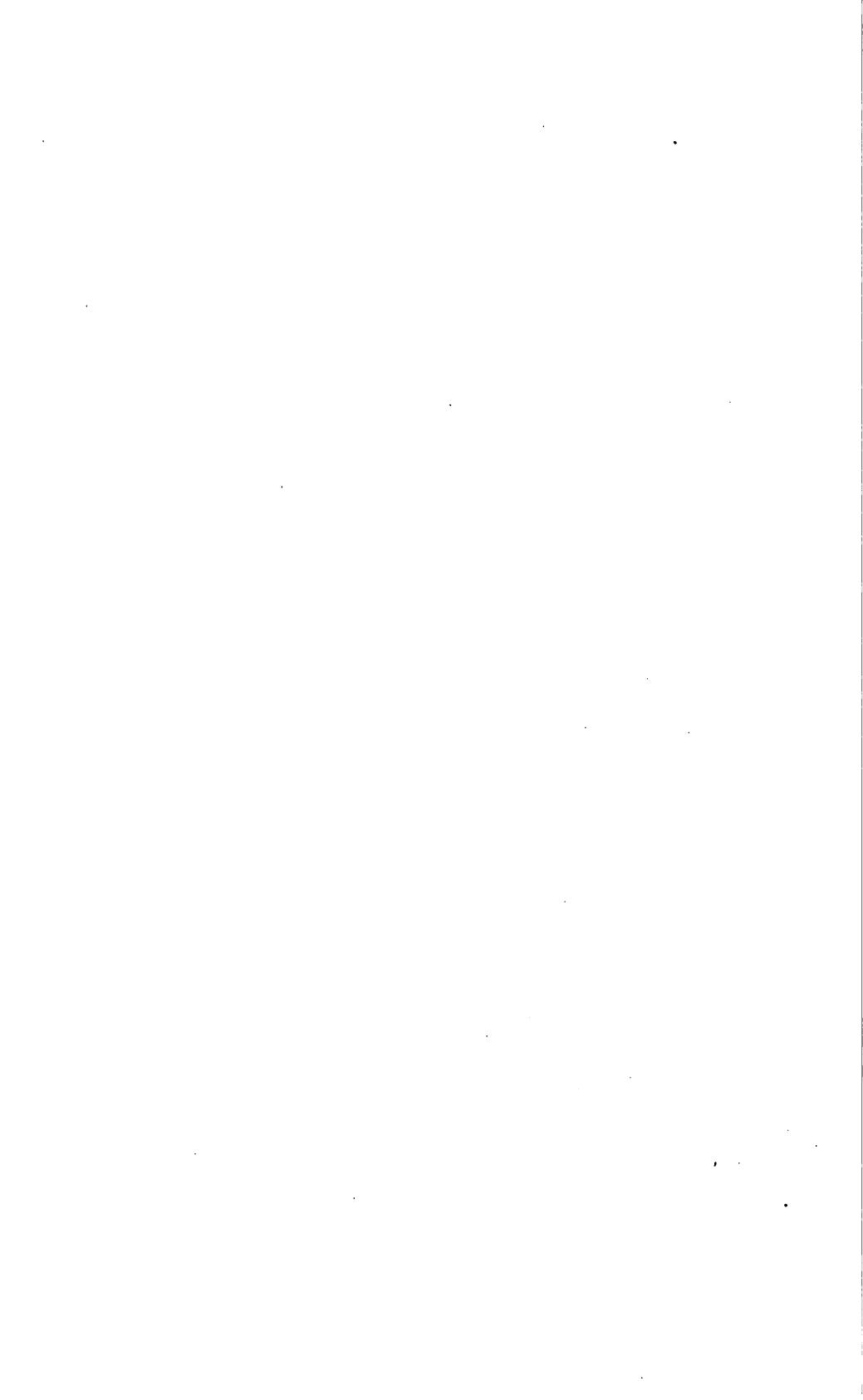
Ending March 31—	\$20,629,389	\$113,829,056				\$2,495,000	
1891 .....	7,917,288	126,978,623				3,815,800	
1892 .....						8,813,600	
1893 .....	1,571,052	79,602,161				8,882,900	
1894 .....		83,478,823				4,956,200	
1895 .....		10,744,041				6,130,500	
1896 .....		104,726,916				5,727,500	
1897 .....		71,939,000					
Average .....		102,582,586				4,806,286	

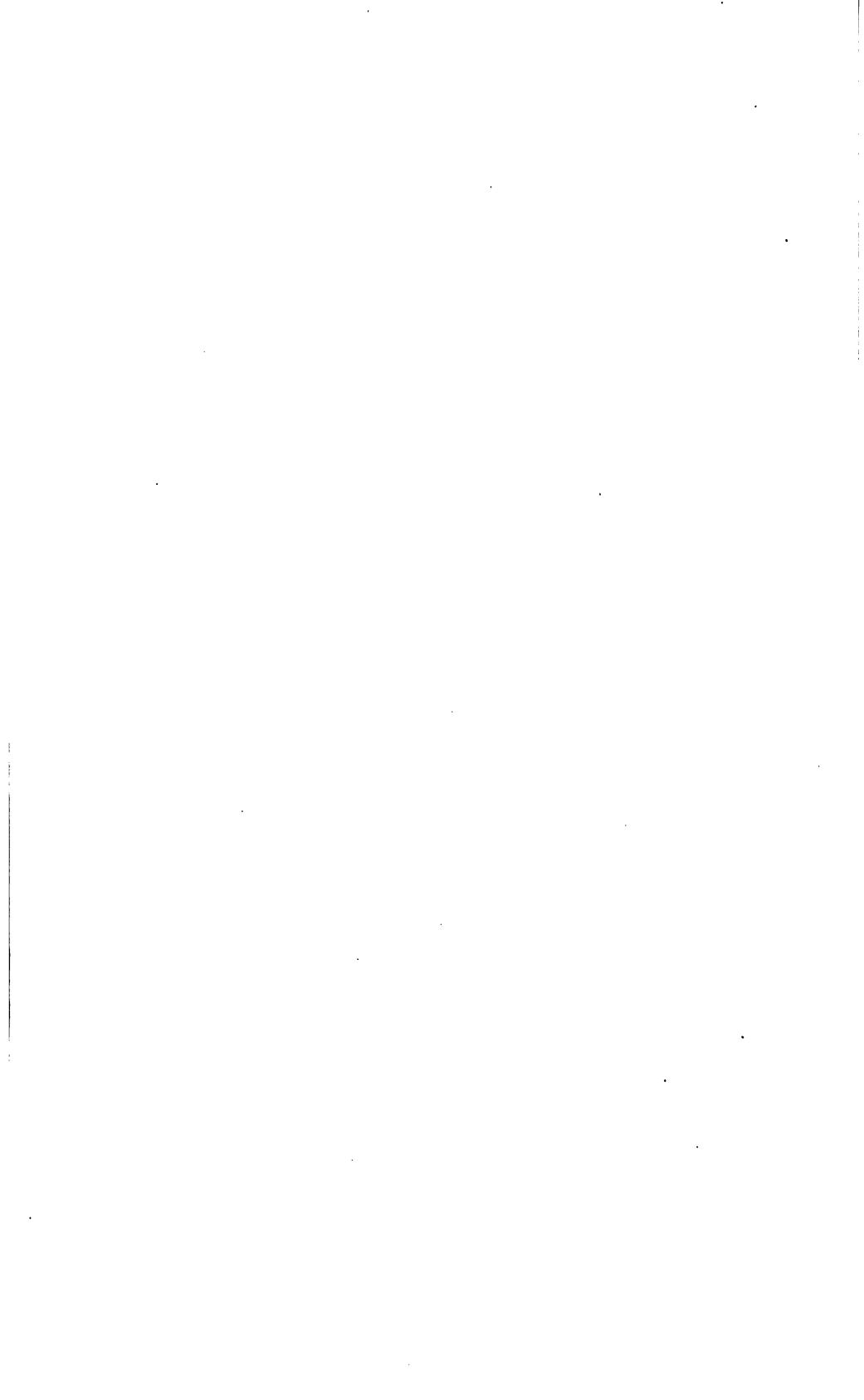
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TREASURY DEPARTMENT, BUREAU OF STATISTICS, January 17, 1899.  
O. P. AUSTIN, Chief of Bureau.

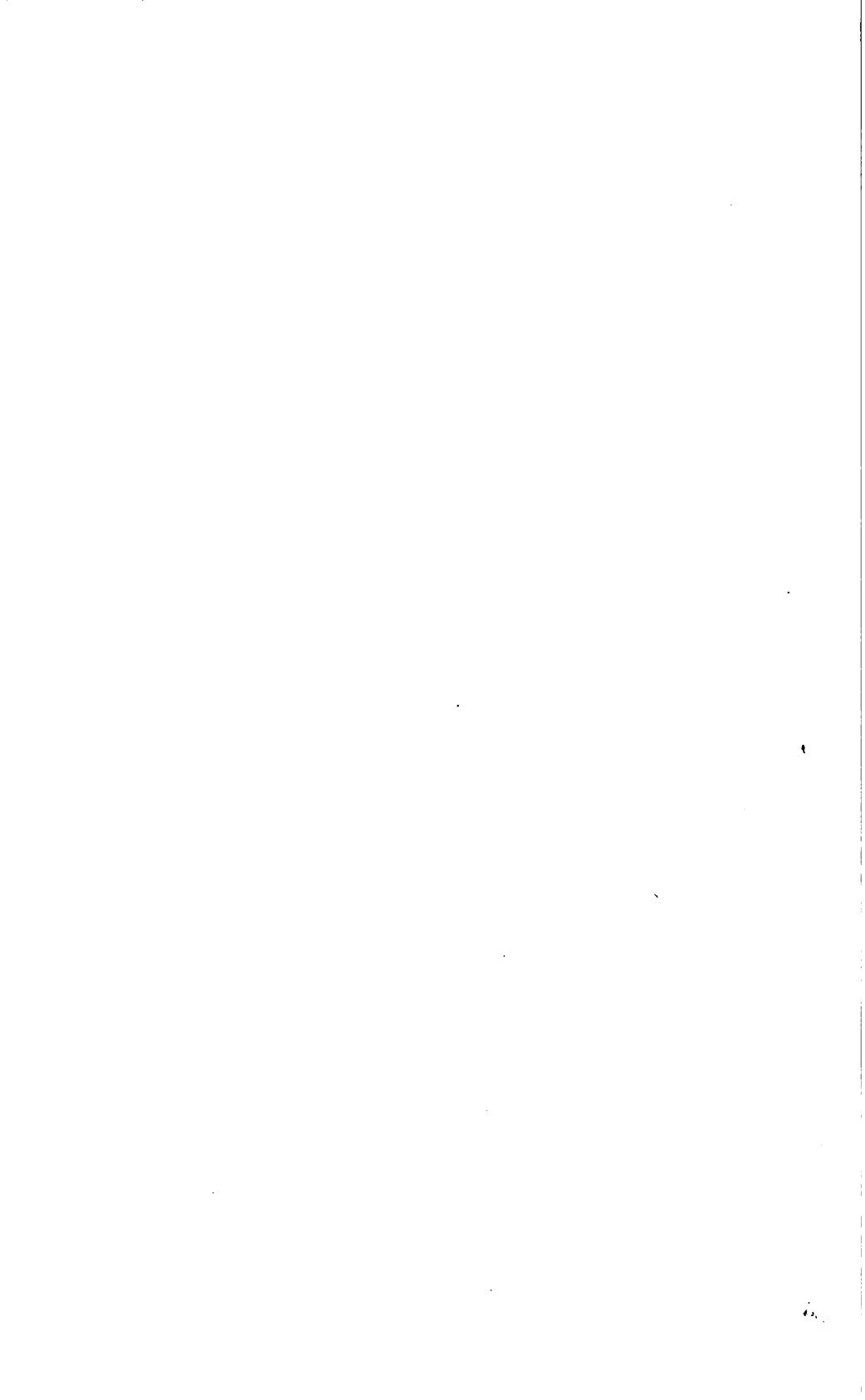
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[Especially note pages 175 to 180.]

## TO SECURE TO THE PEOPLE A SOUND CURRENCY.

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JUNE 23, 1898.—Committed to the Whole House on the state of the Union and ordered to be printed.

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Mr. WALKER, of Massachusetts, from the Committee on Banking and Currency, submitted the following

### VIEWS OF THE MINORITY.

[To accompany H. R. 10289.]

The undersigned respectfully dissents from the views of the signers of the favorable report on bill H. R. 10289, and recommends that all after the enacting clause be stricken out and the text of bill H. R. 10,333, introduced in the House by Mr. Walker and referred to the Committee on Banking and Currency, be inserted in its place.

#### WALKER BILL THE ONLY REMEDY.

I can see no conceivable relief from the present financial and banking conditions of the country, but on the other hand the certainty that it would be made worse by enacting any general bill referred to the committee, excepting the Walker bill H. R. 10333, and the bills before the committee have steadily grown worse, culminating in the Hill-Fowler bill, H. R. 10289.

Not one of the bills presented to the Committee on Banking and Currency, except the Walker bill, recognizes—much less fearlessly and closely follows—any known principle of economics or any recognized banking principle. Not one of them except the Walker bill safely and securely does any one of the four things absolutely necessary to be done to relieve the situation, viz,

1. To relieve the United States Treasury from the current redemption of every form of paper money and from any responsibility for maintaining the parity of our various kinds of money.

2. The devolving of the duty and responsibility of maintaining parity between all moneys upon the banks.

3. The allowing of banks to issue true bank currency—i. e., to issue currency against their assets.

4. The securely uniting all the commercial banks in the country through clearing houses into one strong body to maintain parity between all moneys.

From the first section to the last section the two bills are antagonistic.

From the opening to the close it is the	
Hill-Fowler bill, { H. R. 10289.	versus..... { Walker bill, H. R. 10333.
The results of { ratio-cination } .....	versus..... { The results of investigation.
A putting into the present law things new, incon- gruous, and untried, or that have failed	versus... { A putting into the present law things old, harmoni- ous, and approved by ex- perience.

The Hill-Fowler bill (H. R. 10289) does not propose to and does not effect a solid union of the commercial banks of the country. It leaves each bank in its present inflexible, isolated, and panic condition. It thereby leaves out of its scope its avowed purpose and makes it impossible of being accomplished by the bill.

The Walker bill, on the other hand, is written in accord with recognized economics, and adheres in every sentence to sound banking principles. It secures a solid union of all commercial banks into a logical system and provides for the safe and complete transition of every commercial bank in the country, were it done even during a panic, from its present inflexible, isolated, and panic condition into an elastic, cooperative, anti-panic system, and makes it an integral part of a symmetrical and firmly constructed and completed whole, which is absolutely necessary as a condition precedent to any substantial relief of the United States Treasury and banking conditions in any safe and wise financial and banking legislation.

#### UNION OF ALL COMMERCIAL BANKS.

The warp and woof of the Walker bill is the taking of every commercial bank in the country out of its perilous condition of isolation, which invites and contributes to such panics as have frequently visited them during their whole existence, by allaying antagonism and shutting out all injurious competition and rivalry between banks, induced by their isolation, through clearing houses that now exist. Thus it is made sure that the banks will maintain parity, by making it for the interest of each bank to assist all other banks in doing so, by uniting all banks in one symmetrical whole to enable them in combination to maintain parity successfully, which is impossible in isolation, i. e., maintain the parity between silver coin and gold coin, and maintain the parity between all the various forms of our paper money and our coin money by making it profitable for the banks to do so, and forcing it upon unpatriotic and reluctant banks by a tax of one-half of 1 per cent per annum on deposits if the banks as a whole fail to maintain parity, and, unlike the Hill-Fowler bill, cutting the banks and individuals off from getting any gold out of the United States Treasury under any circumstances.

#### MAINTAINING PARITY.

The Hill-Fowler bill does the exact opposite of the Walker bill. Enacted into law it would call for more gold from the Treasury and heavier taxation to maintain parity under the present Treasury system, and make conditions worse than they now are.

Its effect can be certainly predicted from the experience of the past,

not only of this country but of all others. Isolated banks, each independent of the other, in no country have found it possible to keep silver coin and gold coin at a parity and freely circulating side by side as it is assumed they can do in the Hill-Fowler bill. Parity never has been kept between gold and silver, excepting where the banks were united to do it. Not an example can be found to justify the Hill-Fowler experiment. The experience of this country and of all others fails to justify it. The sharp rivalry between our independent banks, prior to 1834, compelled every bank in the country to redeem its circulating notes in silver dollars, because the value of the bullion in the silver dollar was 3 to 4 per cent less than the bullion in the gold dollar. After 1834 not a silver dollar was paid in redeeming its circulating notes by any isolated bank in the country, because the bullion in the new silver dollar was worth from 3 to 4 per cent more than the bullion in the gold dollar. Banks had silver dollars in their vaults, but they always insisted on a premium of 3 to 4 per cent in paying them out.

#### NEW YORK CLEARING HOUSE.

Parity is now maintained in this country by the United States Treasury, by the Treasury being a member of the New York clearing house, thus making the United States Treasury ultimately responsible for its transactions at an annual cost of scores on scores of millions of dollars taken from the people in taxes. To do this also requires that hundreds of millions of dollars shall at all times be in the Treasury, practically as a guaranty of its solvency, for maintaining parity.

The national banking law has come to be one of the most oppressive legacies of the civil war, in its continued forced loans on the people in compelling the purchase of United States bonds. The Hill-Fowler bill proposes to continue it for eight years. It differs as much from the freedom and independence of normal and free banking and the issuing of normal bank currency as does martial law and the provost-marshall from normal liberty and the jury trial.

#### BANK OF ENGLAND SYSTEM COPIED.

But the most illogical, uneconomic, and indefensible proposition in the whole list of things proposed to be done, and a thing not consistent in a law drawn on true banking principles, is the proposal to create in the United States Treasury a department of issue and redemption. Such a department would be not only useless, but wholly vicious.

If there is one thing more than another that is well settled in the management of banks, treasuries, corporations, and private firms, it is this, viz., that every dollar of what is designated "money funds" must be at the free use of the responsible manager of them, especially in times of panic.

The avowed reason for creating this department is to destroy the United States legal-tender notes directly or indirectly, either by changing them into a gold certificate or by canceling them outright. To resort to such a cumbersome device for that purpose could only have been suggested by the double-headed contrivance in the Bank of England. It has been condemned, as to the Bank of England, by nearly every writer on finance in Europe and by the best thought in England. It has never once been approved in the whole world by the only possible method of expressing a genuine approval of a financial device, viz., by imitation. I shall treat further on this subject in closing this report.

The Hill-Fowler bill attempts the impossible feat of grafting on to the Government Treasury, which has no banking resources or banking machinery, the double-headed Bank of England issue department and banking department system, which is unworkable excepting by a bank with the immense resources and in the strong position of the Bank of England. It is believed by every European financier to be a source of the most grave embarrassment and peril to the Bank of England in times of monetary stringencies or panic. The bill proposes this without taking cognizance of the conditions here as compared with the conditions in Great Britain. Should Great Britain wake up some fine morning and find in her coinage system \$500,000,000 of silver as full legal tender at 16 of silver to 1 of gold, she would go to a silver basis in a week, unless all her banks were united, either voluntarily or under compulsion of law, into a solid and indestructible union, as is provided in the Walker bill.

Should the Bank of France, with its hundreds of branches, be dissolved to-day into as many independent and isolated, antagonistic banks as it has branches, as our banks are now isolated and independent and antagonistic to each other, France would go to a silver measure of value in a week. Nothing keeps the paper money of France or Germany at a parity with specie and silver to the "gold measure of value" other than the union in each country of all the banks, practically if not actually branches of one bank and thus brought into a solid union, as is provided for the banks of this country in the Walker bill; and nothing keeps the money of the Empire of Great Britain to parity with the gold measure of value but her coinage conditions, in which there is no "primary legal tender silver money."

Our banks are loosely held together to-day only through the sub-treasury, with its \$200,000,000 to \$300,000,000 idle surplus, and sale of bonds to maintain parity in times of panic, taxing the people millions upon millions to do it, instead of keeping a balance of only \$20,000,000 to \$30,000,000 in the Treasury, as is the case in France, Germany, and Great Britain at comparatively no cost in taxation.

#### GOLD REDEMPTION OF SILVER.

To provide that our \$500,000,000 legal-tender silver dollars shall be redeemable in gold dollars by the Government, and for keeping an additional gold reserve for that purpose, is one of the most unnecessary, inconsistent, and remarkable, not to say ridiculous, provisions that could well be incorporated in a banking bill. Do they not know that this is demonetizing silver? This seems especially so in view of the ease with which France and Germany carry, at par with gold and as primary money, their great stocks of silver. But the objective claimed as of vital importance to be reached by the Hill-Fowler bill is the elimination of the United States notes from demanding gold of the Treasury, either by making them a part of the bank notes, viz, by substituting for them the "national reserve notes" of the Hill-Fowler bill, to be issued in place of them, or by buying them up by the Government with the taxes collected and then destroying them. The Hill-Fowler bill does not do this by inducing the banks to assume the identical United States notes by making it profitable for them to do so, as in the Walker bill, but by attempting to substitute a new "legal-tender bank note" for them. The reason given for proposing the destruction of the \$346,000,000 of greenbacks is that they "menace our whole financial system in their power to extract gold from the Treasury."

## SILVER DEMONETIZED.

But the Hill-Fowler bill proceeds, in the same bill that would destroy them, to add \$500,000,000 of silver dollars to their national reserve bank notes and other bank notes as abstractors of gold from the Treasury, and would have us believe that this is a cure for all our financial and banking ills.

Having experienced the delights of the vision of seeing the United States notes destroyed and of resurrecting a bank note from their ashes, in the proposed "national reserve note," and having exercised the supreme power of making this "national reserve note" the equal of gold as a legal tender, their power grows on what it feeds. They then proceed to destroy the \$500,000,000 silver dollars, as such, and to resurrect them as abstractors of gold from the Treasury; that is to say, they destroy the United States notes in order to save the country from the perils of having \$1,200,000,000 of currency, including the United States notes and resting upon them. In turn these \$346,000,000 rest upon the \$100,000,000 of gold in the United States Treasury. Then they immediately proceed to destroy these silver dollars as such and resurrect them. In addition to the paper money now in the country, and in addition to the bank currency, their bill will call for from \$200,000,000 to \$500,000,000 to add to our \$1,200,000,000. Adding this \$300,000,000 bank currency to the \$500,000,000 silver dollars, and this to the \$1,200,000,000 paper now out, makes \$2,000,000,000. This \$2,000,000,000 is to rest upon the \$500,000,000 of the gold redeemable silver dollars, and these silver dollars in turn rest on only \$25,000,000 of gold in the Treasury.

## FINANCIAL WISDOM OF THE HILL-FOWLER BILL.

That is to say, we now have \$100,000,000 of gold in the United States Treasury to redeem \$1,200,000,000 of currency, or eight and one-third per cent of gold to each dollar of paper.

The Hill-Fowler bill proposes to add from two to four hundred millions in bank paper and our \$500,000,000 silver, as abstractors of gold from the Treasury, and rest that \$2,000,000,000, more or less, ultimately on \$25,000,000 of gold in the Treasury, or one and one-quarter per cent of gold to each dollar of paper.

Of course this statement will surprise the authors of the bill more than anyone else who reads it. Their bills bear no internal evidence of any section of them having been brought to the practical test of being carefully "worked out" by trying any one of them on to our present system as modified by them, while every section, paragraph, and line of the Walker bill shows it to have been subjected to that test. Should every dollar of the United States notes be destroyed by the working of the Hill-Fowler bill, all the gold would then be released from the United States Treasury except \$25,000,000, which is set aside to redeem \$500,000,000 of silver dollars. Is it wise to retire \$346,000,000 United States notes and \$100,000,000 gold, and to substitute \$500,000,000 in silver and \$25,000,000 in gold in their identical office?

## BANKING CONDITIONS IN RURAL SECTIONS.

At this point the question will naturally be asked by those who live in sections of the country that have not felt the hardship of the present banking law: Why is there any need of amendments to relieve the present situation other than to "reduce the tax on currency," and to

"allow banks to issue currency to the par of bonds," and to "allow national banks with as little as \$25,000 capital in places of 4,000 people or less," as the bankers have been asking to have done for twenty years?

First, under the present law banks of small capital, or of \$100,000 capital, for that matter, can not exist where there are now no banking facilities, and the three amendments proposed would in no way improve present conditions, so as to permit them to exist.

On the other hand, to "repeal half the taxes on circulation," and "allow banks to issue currency up to the par of bonds," would still further reduce interest where it is now lowest and increase interest where interest is now the highest. It would have exactly the opposite effect of the rational amendment of the law provided in the Walker bill, viz, to halve the present rates in strictly country districts while not materially reducing or increasing interest rates in city districts.

#### INTEREST DOUBLE NORMAL RATE.

To-day interest on bank loans in country districts is nearly double the normal rate, and made so by the law, while they are at the same time made a small fraction lower to borrowers of city banks by the law. Under the present law, the normal rate of interest on the same security on the same time and on the same amount would be about 2.98+ per cent in the three central reserve cities, were no interest paid on deposits, as compared with 7.34 per cent in country districts, and these relative rates are compelled by the law; that is to say, they would be there any strictly country banks, but there is not one strictly "country bank" to-day. They can not exist under the law as it stands. Under the Walker bill, with the currency provided therein, the rate would be 4.55 per cent in the country as compared with 2.98 per cent in the central reserve cities.

#### BANK CAPITAL.

Persons will hardly put their capital into a bank unless they are reasonably certain of receiving 6 per cent dividends on the bank stock. In order to show the rates of interest banks must charge under the present law, under the Hill-Fowler bill, and under the Walker bill to pay 6 per cent on the bank stock, I have worked out the following examples of the practical working of the three systems:

In the case of No. 1, formed under the *present law*, a country bank would be compelled to charge 7.34 per cent on its loans to pay 6 per cent dividends on its stock, or 1.34 per cent more than the stockholders could individually loan their money for and get 6 per cent, while a city bank could loan for 2.98+ per cent and pay 6 per cent dividends.

In the case of No. 2 a Hill-Fowler bank in a central reserve city could pay 6 per cent dividends on its stock and loan money at 3.03+ per cent.

But it is shown in the case of No. 3 that a Hill-Fowler country bank must charge 6.0+ per cent to pay 6 per cent on its stock. A rate of interest of 6 per cent would not make it an object to form a bank.

But No. 4, a Walker country bank, could loan money at 4.55 per cent and pay 6 per cent dividends.

No. 5 shows a central reserve city bank can loan money at 2.98 per cent or at less rates under the Walker bill than under the Hill-Fowler bill.

## No. 1.

## PRESENT LAW, COUNTRY BANK.

Capital .....	\$150,000.00
Deposits .....	57,143.00
Circulation, 90 per cent of \$37,500 bonds.....	33,750.00
<hr/>	
Total.....	240,893.00

## Deductions:

Paid for \$37,500 bonds, at \$113.55.....	\$42,581.25
5 per cent redemption paid on \$33,750....	1,687.50
15 per cent reserve on \$57,143 deposits....	8,571.45
20 per cent currency not in circulation....	6,750.00
<hr/>	
	59,590.20

Possible loanable funds.....	181,302.80
<hr/>	

## Receipts:

Interest on \$42,581.45 paid for bonds, at 2.4 per cent..	1,021.95
INTEREST ON \$181,302.80 LOANS, AT 7.34+ PER CENT.	13,315.55
Exchange account .....	1,000.00
<hr/>	
Total.....	15,337.50

## Expenditures:

Tax on circulation, 1 per cent.....	\$337.50
Salaries, etc.....	6,000.00
6 per cent dividend on \$150,000 stock....	9,000.00
<hr/>	
	\$15,337.50

## PRESENT LAW, CENTRAL RESERVE CITIES.

Capital .....	\$150,000.00
Deposits .....	650,000.00
<hr/>	
Total.....	800,000.00

## Deductions:

United States bonds, or 2.4 per cent capital, \$3,600, cost.....	\$4,087.80
Reserve required.....	162,500.00
<hr/>	
	166,587.80

Possible loanable funds.....	633,412.20
<hr/>	

## Receipts:

Interest on cost of bonds \$4,087.80, at 2.4 per cent...	98.11
INTEREST ON \$633,412.20 LOANS, AT 2.98+ PER CENT.	18,901.89
Exchange account .....	2,000.00
<hr/>	
Total .....	21,000.00

## Expenditures:

Salaries, etc .....	\$12,000.00
6 per cent dividends on \$150,000 stock....	9,000.00
<hr/>	
	21,000.00

## No. 2.

## HILL-FOWLER, CENTRAL RESERVE CITY BANK.

Capital .....	\$150,000.00
Deposits .....	650,000.00
Total .....	800,000.00
<b>Deductions:</b>	
United States bonds required, equal to 2.4 per cent of capital, or \$3,600; market price, \$113.55; cost of bonds .....	\$4,087.80
12.8 per cent of capital, or \$19,200 of United States notes exchanged for "reserve note," \$19,200, and 5 per cent redemption fund.....	960.00
Reserve required .....	162,500.00
	<u>167,547.80</u>
Possible loanable funds .....	<u>632,452.20</u>

**Receipts:**

½ per cent paid on reserve notes taken.....	96.00
Interest on cost of bonds, \$4,087.80, at 2.4 per cent..	98.11
INTEREST ON \$632,452.20 LOANS, AT 3.03+ PER CENT.	19,180.89
Exchange account .....	2,000.00
Total .....	<u>21,375.00</u>
<b>Expenditures:</b>	
Tax, ¼ per cent on \$150,000 capital.....	\$375.00
Salaries, etc .....	12,000.00
6 per cent dividend on \$150,000 stock.....	9,000.00
	<u>21,375.00</u>

## No. 3.

## HILL-FOWLER COUNTRY BANK.

Capital .....	\$150,000.00
Deposits .....	57,143.00
Circulation .....	150,000.00
Total .....	<u>357,143.00</u>
<b>Deductions:</b>	
5 per cent on \$60,000 "reserve notes" ....	\$3,000.00
5 per cent on \$60,000 "bank notes" .....	3,000.00
5 per cent on \$90,000 "currency notes"....	4,500.00
Paid for 40 per cent to capital bonds required, at \$113.55 .....	68,130.00
Reserve required .....	8,571.00
Redemption fund on \$90,000 .....	1,000.00
20 per cent currency not in circulation....	30,000.00
	<u>118,201.00</u>
Possible loanable funds.....	<u>238,942.00</u>

## Receipts:

½ per cent paid on reserve notes taken .....	\$187.50
Interest on \$68,130 paid for bonds, at 2.4 per cent...	1,635.12
INTEREST ON \$238,942 LOANS, AT 6.0+ PER CENT..	14,352.38
Exchange account.....	1,000.00

Total ..... 17,175.00

## Expenditures:

Tax of 6 per cent on \$30,000 currency notes. \$1,800.00	
Tax of ¼ per cent on \$150,000 capital.....	375.00
Salaries, etc .....	6,000.00
6 per cent dividend on \$150,000 stock.....	9,000.00

17,175.00

## No. 4.

## WALKER COUNTRY BANK.

Capital.....	\$150,000.00
Deposits .....	57,143.00
Circulation .....	150,000.00
Total.....	357,143.00

## Deductions:

5 per cent redemption fund, \$120,000 currency in actual circulation .....	\$6,000.00
15 per cent reserve on deposits .....	8,571.45
20 per cent currency out of circulation .....	30,000.00

44,571.45

Possible banable funds..... 312,571.55

## Receipts:

INTEREST ON \$312,571.55 LOANS, AT 4.55+ PER CENT.	14,240.00
Exchange account .....	1,000.00
Total.....	15,240.00

## Expenditures:

Tax on \$120,000 in actual circulation 0.2 per cent .....	240.00
Salaries, etc .....	6,000.00
6 per cent dividends on \$150,000 capital .....	9,000.00

15,240.00

## No. 5.

## WALKER CENTRAL RESERVE CITY BANK.

Capital.....	\$150,000.00
Deposits .....	650,000.00
Total .....	800,000.00

## Deductions:

Reserve required 25 pr cent of deposit .....

162,500.00

Possible loanable fund .....

637,500.00

**Receipts:**

INTEREST ON \$637,500 LOANS, AT 2.98— PER CENT..	\$19,000.00
Exchange account.....	2,000.00
<b>Expenditures:</b>	
Salaries, etc.....	\$12,000.00
6 per cent dividends on \$150,000 stock... ..	9,000.00
	21,000.00

These examples of six banks show that country banks can be formed under the Walker bill and loan money at half to two-thirds the rates of interest charged by banks on loans at the present time, namely, at 4.55 per cent. They show also that the interest rates by country banks formed under the Hill-Fowler bill must be 31 per cent higher than under the Walker bill.

It will be noticed in example No. 2 of a Hill-Fowler city bank, that the "reserve" required in cash in city banks is..... \$162,500

The "reserve notes" the city bank must pay for in

United States notes are about one-half what the  
country bank must buy, or..... \$19,200

The gold the bank must have in its own vaults is... 81,250

100,450

Balance ..... 62,050

Thus the city bank can keep all its "reserve notes" in its own

vaults and with its gold still use any lawful money for.... 62,050

It would not be possible for any one to make a demand upon this city bank for one dollar of gold. So it would be with every reserve city bank in the country under the Hill-Fowler bill.

Take example No. 3 of a Hill-Fowler country bank and the situation is reversed. It will be seen that the "reserve" required is \$8,571, while the bank must buy double the "reserve notes" the city bank buys. Only two-fifths of this reserve is required to be in cash; the other three-fifths may be in amounts due the bank from other banks, and only one-fifth or \$1,714.20 in gold.

It figures out as follows:

The "cash reserve" required is ..... \$3,428.40  
\$1,714.20 to be in gold.

The "reserve notes" the bank must pay for in

United States notes are ..... \$37,500.00

The gold the bank must have in its own vaults is 1,714.20

39,214.20

Its "reserve notes" in excess of those it can use in its cash  
reserve are..... 35,785.80

It will also be observed that the country bank must invest \$68,130 in United States bonds and take out bank notes more than sixteen times as much as the city bank with the same capital. The city bank is only required to invest \$4,087.80 in bonds. The city bank will not bother with any currency. It cuts no figure in its business. But the country bank must pay out this \$35,785.80 "reserve notes" and also its \$37,500 "bank notes," a total of \$73,500. This paper money always finds its way into the city banks to be by them exchanged for the gold of the country banks in redemption and then returned to the country banks.

The Hill-Fowler bill forbids the massing of gold to secure in combination the maintenance of parity.

The Walker bill carefully provides for massing all the commercial gold in the country in the National Clearing House in New York and also in San Francisco in order to make sure the maintenance of parity as is now done under the present law. Not a dollar of gold can be had to-day, nor for thirty years, in redemption of a United States note, from the United States Treasury in Washington. Only in New York and in San Francisco can it be had. Only by this massing of gold can parity in gold redemption be maintained.

The Hill-Fowler bill, on the other hand, divides the gold into driblets. In banks of \$25,000 there would be about \$285.71 in gold and so on up. In a bank of \$100,000 about \$1,142.86. The \$25,000 country bank is expected to redeem in gold over its own counter \$26,250 paper money with \$285.71 in gold, and the \$100,000 country bank to redeem in gold \$105,000 of its paper money with \$1,142.86 in gold when some crank or combination of panic-stricken people makes a raid on the bank.

The Walker bill provides for massing the gold. The amount the whole 10,000 banks are "required to keep" is from \$200,000,000 to \$400,000,000, in order to make the maintenance of parity absolutely secure, and leave the country banks to redeem the currency they issue as they choose in any kind of lawful money.

There is no other possible way of safely maintaining parity with gold when large amounts of other "lawful money" are in circulation. Our whole monetary system would break down in the first panic under the Hill-Fowler bill, and the Government would be again selling bonds for gold.

#### NO PROVISION FOR TRANSITION.

Again, there is no provision made to insure safety during the transition, were not the scheme absurd. The first country bank that transfers from the present system, under which the United States Treasury maintains the parity, to the Hill-Fowler system, where the banks are to maintain parity, will have to support with its \$286 in gold the whole \$1,000,000,000 of our paper money or stop issuing its circulating notes. But they say no: the Treasury will still do it. Of course it will still do it; but because it will always have to maintain parity, as now, the Hill-Fowler bill is not worth the paper it is written on. If one bank organized under the bill does not assume the obligation to relieve the United States Treasurer of maintaining parity, will two, or two hundred, or two thousand, or ten thousand? Just how many will be required to organize under the bill to remove from the Treasury the obligation to support the banks as to parity instead of the banks relieving the Treasury of maintaining parity? There is no possibility of the banks taking upon themselves that duty. The Treasury conditions are made worse by it.

Under the Walker bill not a bank organized under it assumes the slightest obligation to assume the maintenance of parity and thus relieve the United States Treasury of that burden until a certain time arrives, decided on by the Secretary of the Treasury, and then in an instant, at a signal agreed upon, every commercial bank in the country is in the system in a flash. All commercial banks are instantly united to maintain "parity," and the United States Treasury is as thoroughly relieved at once and forever from all responsibility as to paper money or coin money, other than police supervision, as is Smith, Brown, or any other citizen.

## DEFICIENCY IN BANK FUNDS.

Very carefully prepared tables are published in the appendix to this report which show that the total actual capital of both State and national commercial banks is about \$1,400,000,000, that the actual cash reserve held by them is \$560,000,000, and the total reserve held by those banks is about \$1,000,000,000.

All of these banks would be brought into the national system under the Walker bill.

They also show that the deficiency in 1897 in national-banking funds in the nine Southern agricultural States in which banks were well developed in 1860, is about \$284,000,000—in those nine States alone. It is safe to assume that had national banking been as free in these States—Alabama, Georgia, Kentucky, Louisiana, Missouri, North Carolina, South Carolina, Tennessee, and Virginia—as in 1860, the national-banking funds now in use there, in excess of what they are, would have amounted to \$371,000,000, and would be divided as follows:

As the masses of the people in the South during the slave period used comparatively little currency, checks and drafts were employed out of all proportion to their use in the Middle States where slavery did not exist. The banking funds of the Middle States were, capital 42 per cent, deposits 16 per cent, and currency 42 per cent. Resolving the \$370,933,761, estimated deficiency in banking funds in the above nine States, into the component parts of capital, deposits, and currency, the probable increase in each is shown:

Probable increase in capital .....	\$155,792,680
Probable increase in deposits .....	59,348,401
Probable increase in currency .....	155,792,680

## AGRICULTURAL STATES.

Taking the fifteen additional agricultural States that supported cheap money in 1896—Arkansas, California, Colorado, Florida, Idaho, Kansas, Mississippi, Montana, Nebraska, Nevada, Texas, Utah, Washington, Wyoming—the deficiency in banking funds would be fully \$500,000,000.

Under the Hill-Fowler bill the improved conditions for establishing banks are of such a trivial character that no perceptible increase in banks could be made, while under the Walker bill the chances of improvement, based upon the banking conditions existing in 1860, would be such that, in a brief period, banks would be established using additional capital, deposits, and currency to the amount indicated.

Of course the statement is made that this banking capital does not exist and can not be had at the South and in the other agricultural States, because of a lack of personal property in those States. This has not the slightest foundation in fact. There is not a single economic fact to justify that statement. Deducting the value of the slaves, the assessed value of personal property per capita in 1860 was \$85.78; in 1890 it was \$85.44. It is thought by conservative men—students of economic conditions of the South—that since 1890 the personal property has increased certainly one-quarter, and some put it much higher. It is thought that the personal property per capita in 1900, in the Southern States named, will reach \$125, or more. At any rate, what we know of the personal property in the South gives no justification for the statement that the lack of banking funds at the South is due to the poverty of the people there to-day, as compared with that of 1860, but rather it is due wholly to the oppressive national banking law.

**CITY BANK FUNDS.**

The population of cities in the United States having 10,000 people or more is 20,781,474. The total banking funds of those same cities are \$2,283,320,423. Assuming that the banking funds in those cities serve half as many again people as live in those cities, it would bring the number of people served by that banking capital up to 31,172,211, and would give \$73.25 per capita.

Places in the country of less than 10,000 people have a population of 41,840,776. Deduct from that population 10,390,737 served by the city banks, and it leaves 31,450,039 to be served by the banks in the places of less than 10,000 people, or \$23.38 banking funds, or one-third as much per capita.

**CITY BANKS CAN NOT ISSUE CURRENCY.**

The fact that the business of the city bank is such that it can not issue to a profit currency notes where currency is issued on the true banking principle, can not be too persistently insisted upon. Where currency is redeemed in the natural way by a city bank, it goes into the city clearing house the next morning with checks, drafts, and bills of exchange against the bank, and in a city where business is done by checks and drafts, and but a very small percentage of currency is used in proportion to the business done, the bank has no possible way of keeping currency in circulation. The only reason they have been able to do so in the last thirty years is because no genuine country banks could exist under the national banking law, and therefore comparatively no currency was issued in the country, and the city banks occupied with their currency the country districts, the country districts paying interest on what they should have had for nothing.

This state of things would end at once under the Walker bill.

**NEW YORK CITY BANKS IN 1860.**

All the banks in New York in 1856 only issued 15 per cent of currency to their capital. It ran down to 11.42 per cent in 1860, and that currency was issued by those banks that had a country business, although located in the city. The Bank of Commerce, with a capital of \$9,000,000, had a circulation of only \$2,000, one-tenth of 1 per cent of its capital. The City Bank, with \$1,000,000 capital, \$2,000,000 deposits, issued no currency, while the East River Bank, whose name indicates the business of its patrons as with stevedores and with people who come into the city with boats, issued only 40 per cent to its capital.

**CHICAGO BANKS.**

The Chicago banks have only 2.5 per cent of circulation to their capital. They hold United States bonds to an amount entitling them to take out \$1,215,000 in circulation and have taken out only \$616,365, of so little value is currency to city banks. If all the banks in Chicago were not forced to buy bonds as a license fee to do business probably not a dollar in currency would have been taken out.

**INJUSTICE OF 6 PER CENT TAX ON 20 PER CENT OF CURRENCY.**

The Hill-Fowler bill exhibits the result of minds exceedingly fertile in devising ways for depriving country sections of banking facilities,

one of which is to tax currency issued in excess of 80 per cent to capital.

As deposits to a city bank are to it what currency is to a country bank, if the currency in excess of 80 per cent to capital is to be taxed 6 per cent, then deposits in a bank in excess of 80 per cent to capital should be taxed at the rate of 6 per cent per annum to make the conditions between city banks doing business by city methods and country banks doing business by country methods equal.

*Capital, surplus, and other profits in national banks in the central reserve cities of New York, Chicago, and St. Louis, October 5, 1897.*

Capital, surplus, and profits .....	.....	\$149,796,620
Aggregate deposits .....	\$645,633,469	
The Hill-Fowler bill exempts currency from taxation to an amount equal to 80 per cent of capital .....	119,837,296	
Excess of deposits over 80 per cent of capital .....	.....	525,796,173
Six per cent of deposits in excess of 80 per cent of capital—tax would be .....	.....	31,547,770

Newly formed country banks, of \$150,000 paid-in capital or less, aggregating \$150,000,000 in capital, immediately upon getting into full operation, the items of their funds, taking the proportions of capital, deposits, and circulation from the condition of the banks in the Middle States in 1860, would run as follows:

Capital paid in .....	.....	\$150,000,000
Deposits .....	.....	57,143,000
Circulation .....	.....	150,000,000
Currency to 80 per cent of capital .....	\$120,000,000	
Excess of currency over 80 per cent to capital .....	30,000,000	
Tax of 6 per cent on excess currency would amount to .....	.....	1,800,000

The tax of \$31,547,770 on the city banks would be as onerous and unjust to them and no more so than the tax of \$1,800,000 to the country banks on any part of their currency, for currency is to country banks what deposits are to city banks.

#### SAFETY OF BANKS ISSUING CURRENCY.

The safety of country banks issuing a large percentage of currency to their capital is questioned by the framers of the Hill-Fowler bill, but upon examination it will be found they are much safer than city banks with enormous deposit accounts. A comparison of example No. 2 with No. 4 will make the matter clear.

## CITY BANK, NO. 2.

## Resources:

Redemption fund .....	\$960.00
United States bonds .....	4,087.80
Reserve held .....	162,500.00
Loans .....	632,452.20
<b>Total .....</b>	<b>800,000.00</b>

## Liabilities:

Capital .....	150,000.00
Deposits .....	650,000.00
<b>Total .....</b>	<b>800,000.00</b>

(Paid-in capital, \$76,700.)

One-half of loans prove a total loss and the half collected amount to .....	316,226.10
Redemption fund, United States bonds and reserve.....	167,547.80
<b>Total assets .....</b>	<b>483,773.90</b>
Owed depositors.....	650,000.00
Without stock assessment depositors lose.....	166,226.10
Collect the full assessment on the "paid-in" stock.....	76,700.00
<b>The depositors still lose 13.1—per cent.....</b>	<b>89,526.10</b>

## COUNTRY BANK, NO. 4.

## Resources:

Redemption fund .....	\$6,000.00
Reserve held .....	8,571.45
Loans .....	312,571.55
<b>Total .....</b>	<b>327,143.00</b>

## Liabilities:

Capital .....	150,000.00
Deposits .....	57,143.00
Currency in circulation.....	120,000.00
<b>Total .....</b>	<b>327,143.00</b>

One-half of loans prove a total loss and the amount collected is .....	156,285.77
Redemption fund and reserve.....	14,571.45
<b>Total assets .....</b>	<b>170,857.22</b>
Pay holders of currency .....	120,000.00
<b>Balance remaining .....</b>	<b>50,857.22</b>
Due depositors .....	57,143.00
<b>Deficiency.....</b>	<b>6,285.78</b>
Stockholders assessment 4.2—per cent.....	6,285.78

In the case of the city bank the depositors lose 13.1 per cent of their deposits and the stockholders lose all their capital and are also assessed 100 per cent on the amount of it, and in the case of the county bank no one loses a dollar, but the stockholders lose all their capital and are assessed about 4 per cent on the amount of their capital.

#### FAILURES OF COUNTY BANKS.

During thirty-three years, banks of \$50,000 capital have failed for \$8,000,000 and paid 51 per cent dividends.

Banks with capital to above \$50,000 and \$100,000 capital or less have failed for \$17,000,000 and paid 57 per cent dividends.

Banks of over \$100,000 and \$200,000 capital or less have failed for \$16,000,000 and paid 61 per cent dividends.

Banks of over \$200,000 and of \$300,000 capital or less have failed for \$18,000,000 and have paid 63 per cent dividends.

Banks of over \$300,000 and of \$500,000 capital or less have failed for \$29,000,000, and have paid 64 per cent dividends.

Banks of over \$500,000 capital have failed for \$33,000,000 and paid 66 per cent dividends.

These figures show there is no material difference in the dividends paid by the different classes of banks. Under the supervision provided in the Walker bill not one small bank would probably fail where three have failed under the law as it now is.

#### LOW RATES OF INTEREST.

A low rate of interest all over the country, as in other countries, is not possible with separate, isolated, unsupported, and antagonistic bond currency banks, such as the Hill-Fowler bill provides. Solitary banks in any country make interest rates abnormally high in the agricultural portions of it, or even by combining them under the bond currency provision of the present law, with its prohibition of "true bank currency" or under the Hill-Fowler bill, which perpetuates the embargo on banks and "true paper money" to country districts and keeps up interest.

When the Government issues paper money directly or robs the citizens of the capital they get together to form a bank and before the bank is allowed to issue currency, by compelling the bank to buy bonds to the amount of the paper money it issues, it makes it impossible for a bank to live in country districts, because to issue paper money by a country bank is the same to it as accepting deposits is to a city bank.

No one thing can be suggested that collects such an enormous tax from the people in country districts in favor of cities. It ruins enterprise in the country and drives small manufacturing into cities.

How our national banking law cruelly robs and cruelly oppresses agricultural States can only be known by the most careful and pains-taking investigation.

In so far as this prevails it puts the country at a tremendous disadvantage and out of touch with cities.

#### THE OFFICE OF BANKING.

The existence and whole office of banking and the use of paper money is of civilized society and a contrivance to substitute the use of "credit paper obligations," which cost the people nothing in exchanging products for coin in the exchange of products, which costs 6 per cent per annum on all coin used. Using paper money reduces the neces-

sity for coin to the lowest practical point, and this economizes expense by using only so much coin as it is necessary to use, thus reducing expense in exchanging products to the lowest practical point.

Banks and paper money are as necessary to modern civilization, in the transfer from man to man of the titles to products, as railways, steamships, canals, etc., are to the transfer of products themselves from place to place. Banks and paper money are only used to transfer the titles to these products. Any hindrance to or increased cost in the use of paper money, or of banks, by compelling an unnecessary amount of coin to be used, or by imposing taxes on paper money, works as much and even a greater injury to a community than a hindrance to or increased cost of the transportation of products. The small use of coin, in proportion to the use of banks and currency, by any people, is the sure evidence of its attainment in integrity, ability, acuteness—in fact, in civilization. Coin to banks and currency, in transferring titles to products from man to man, is as crude as to use the back of man and of the donkey, instead of the railways and the steamship, to transport products from place to place.

#### RIGHT OF THE PEOPLE TO FREELY USE WRITTEN OBLIGATIONS TO PAY.

At the very foundation of the right of men to life, liberty, and the pursuit of happiness lies the right of men to take and to give verbal and written "obligations to pay," to be satisfied on demand in the future.

To make it wholly impossible for men to exercise this right would relegate the race to barbarism. The right of man to unite with his fellows to give their joint obligation as a corporate person, to be jointly satisfied by them on demand, has become an inextricable part of and is fundamental to the continued progress of modern civilization.

The freely uniting of a certain amount of capital of five or more men and the uniting of those men into a corporate person, now called a bank, and to continue to them the right to give and to take "obligations payable on demand," has come to be recognized as a "right" of the citizen, little less sacred than the right of the "sole person" to do the same thing.

In the national-bank act the Government absolutely overrides this great and fundamental right of the citizens of this country and confiscates to its use capital collected by our citizens without the aggregating of which "exchanges of products" can not be made. This proceeding is never justifiably resorted to excepting in case of war, and this is the only modern nation that has continued or made such a forced war loan during peace.

#### COMPARISON OF THE PRESENT LAW AND WALKER BILL.

The following in a rough way still further illustrates the workings of a small bank under the present law and a bank under the Walker bill, leaving out the confusing elements of the previous examples:

The present law bank has a capital of .....	\$100,000
Buys of United States bonds .....	50,000

Has left of its capital .....	50,000
Gets of circulating notes .....	50,000

Has to loan .....	100,000
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It then discounts notes running four months for \$2,000 for \$40 discount each for 50 men. Each man takes a draft on New York, where he owes \$1,000, for the \$1,000 to pay his debt, and takes circulating notes for \$1,000 to use in his neighborhood. This aggregates \$100,000, all the bank has to loan.

The bank must get interest at the rate of 6 per cent per annum on the fifty notes it discounts to pay 6 per cent dividends on its stock.

The Walker bank has a capital of..... \$100,000  
It issues its own circulating notes to the amount of..... 100,000

Has to loan..... 200,000

It then discounts the notes running four months of \$2,000 each for \$20 each (for double the number or) for 100 men. Each man takes a draft on New York for \$1,000 to pay what he owes in New York, and the circulating notes issued by the bank for \$1,000 to use among his neighbors. This aggregates \$200,000, all the bank has to loan.

The bank only needs to get interest at the rate of 3 per cent per annum on the 100 personal notes it discounts to pay 6 per cent on its stock.

The premium on the United States bonds, taxes, sinking fund, etc., are so much that no money can be made on currency taken out on bonds.

The Walker bank does the equivalent of this, viz, it charges 6 per cent on the amount of its own capital it loans to the farmer on his \$2,000 note, say, \$20 on the \$1,000; and on the other \$1,000 it charges no interest, but exchanges its own circulating notes for the four month note of the farmer in consideration of the \$20 the farmer paid him on the whole loan.

If the Government issued all the paper money we used, and all the coin money, and no checks or drafts were used, interest would have to be from one-half more to double what it would be were we to use no Government paper money and as little coin money as we can get along with, but used instead all the "bank paper money" the people were willing to use, that the banks could keep at par with coin.

Under the Walker bill interest would not be materially higher or lower in cities, so little paper money can be used in cities. City business is mostly done with checks and drafts. Country people can not use checks and drafts to any great extent. They can only use "bank circulating notes" currency, which is to them the same as transferable certificates of deposits. The longer banks exist in a town, the more checks and drafts are used. Bank notes are the "deposits" of the farmer in the banks as technical "deposits" are such to the city merchant.

Under the Walker bill 3,000 country banks would soon be established where there are no banks now. The farmers can scarcely borrow a dollar now, in many sections of the country, on their crops of hogs, corn, wheat, cotton, hay, etc., soon to be marketed. They could borrow money of Walker banks for half what it could be borrowed for now of banks under the present law, could such banks be established under the present law, which is not possible.

#### ISSUE OF PAPER MONEY BY GOVERNMENT AND BY BANKS.

When the Government issues the money, greenbacks, Treasury notes, etc., or requires a bank to buy bonds to get it, a bank can only get it by parting with an amount of capital equal to the amount of such

money it gets into its vaults. The rates of interest are not reduced to the people by the use of Government money, whether it be paper money, silver money, or gold money.

When all banks issue their own paper money, as under the Walker bill, and any five reputable citizens can make a bank in such a way that the Government can compel the banks themselves to keep this paper money at par with silver dollars and gold dollars, competition among banks will make interest charged by these country banks that make this money as much lower than when they use Government currency as the amount of this paper money they use bears to the total amount of the loans of these banks. That is to say, from one-third to one-half lower rates of interest, after deducting what it costs the banks to keep their paper money at par with silver dollars and gold dollars, which is only a trifle.

When banks issue their own circulating notes the bank gets current rates of interest on all of its notes that are out of its possession and is compelled by competition thereby to charge lower rates of interest. The amount of such total lessened interest is the interest earned by its notes when out. When such notes are in its own vaults it is losing nothing by having them, for they cost nothing.

When the Government issues all money, say greenbacks, Treasury notes, etc., or silver dollars and gold dollars, the total interest on money loaned by banks that they are compelled to charge all customers is as much more than under the Walker bill as current rates of interest on the whole amount of such money. A bank can only get Government moneys by having its capital depleted by every dollar it has of it in its vaults. Therefore the current rate of interest on it is lost while it is idle in the bank. The only way the bank can stop loss of interest on it is by "unloading it" on other banks or on the borrowers of the bank. When the borrower has it the bank is making no profit on it to enable it to reduce interest rates to the farmer. This is why more and more money is being used by clearing houses in paying balances.

#### **WALKER BILL CONFORMS TO THE SUFFOLK SYSTEM.**

The Walker bill conforms to the old Suffolk system of New England from 1840 to 1864 in issuing currency by banks and to that of all other countries except the United States.

The truth of the statement made is shown by trying our system by the facts.

We have an excessive amount of coin—certainly from \$400,000,000 to \$800,000,000 more than there is any economic demand for—but putting it at the lowest amount there is an excessive amount of coin of ..... \$400,000,000  
We have paper money earning the banks nothing ..... 1,100,000,000

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Total..... 1,500,000,000

Interest on national-bank loans is necessarily higher than normal, provided our paper money was "true bank currency" issued against the assets of the bank as paper money is issued in every other country, as \$1,500,000,000 plus \$2,000,000,000 loans = \$3,500,000,000 is to \$1,500,000,000, or 42.8 per cent. This shows that with the banks issuing currency and submitting the volume of coin to economic laws interest rates would be reduced from 6 to 3.43 per cent. This considers only national banks.

Adding the \$700,000,000 loans of State banks it makes \$4,200,000,000 to \$1,500,000,000 earning no income. Including these the rate of interest would be reduced 35.7 per cent, or from 6 to 3.86 per cent.

Of course this is only approximately correct, as no account is taken of "current redemption" and expenses of many kinds, or of the sums of paper money not in circulation, but these do not very materially affect the result. It still remains that by enacting the Walker bill, interest rates would be reduced in approximately the proportion indicated, and almost wholly in country districts.

#### LOANS TO CAPITAL AND DEPOSITS.

That the results shown in the six examples of banks under the present law, under the Hill-Fowler bill, and under the Suffolk system of the Walker bill are substantially correct is proven by the actual experience of banks in the total loans by banks in proportion to their total capital and deposits in 1896 as compared with 1856. There are only two sources of loanable "funds" to a bank when it can not issue its own currency against its assets, viz, capital and deposits. There are three sources of loanable "funds" to a bank that can issue its own currency against its assets, viz, capital, deposits, and currency. All banks before 1864 freely issued currency against their assets with like results of low interest rates in all the States.

I give only a few samples:

	1896.	1856.
	Per cent.	Per cent.
Maine loaned to capital and deposits .....	84	130
Vermont loaned to capital and deposits .....	79	157
New York, outside of New York City, loaned to capital and deposits .....	78	166
The six New England States, including Boston, loaned to capital and deposits .....	88	125
North Carolina loaned to capital and deposits.....	88	162

This is the inevitable result in all agricultural sections when a bank can issue its own currency. This shows that money can be borrowed at one-third to one-half lower rates when banks can issue currency as provided in the Walker bill.

On the other hand, the advantage given cities under the national banking law and under the Hill-Fowler bill, in oppression of farming districts, is conclusively proved by the fact that while New York City could loan only 88 per cent to her capital and deposits in 1856, she loaned 97 per cent in 1896, 10 per cent more in 1896 than in 1856; while Maine loaned 35 per cent less, Vermont, 99 per cent less; New York State outside New York City, 113 per cent less; North Carolina, 85 per cent less; and the six New England States, including the city of Boston, 43 per cent less than in 1856.

Notwithstanding these facts, which were before them when the Hill-Fowler bill was compiled, they propose to continue their oppression of the farming communities with little or no relief for four years, and then dribble out relief for four years more, were their bill workable, which it is not.

**HOW MUCH CURRENCY SUFFOLK-SYSTEM BANKS ISSUED.**

No better banking system ever has been seen than that of New England from 1840 to 1864, known as the "Suffolk system." It was precisely what is proposed for the whole country in the Walker bill. The specie held was 13 per cent to currency issued, and 8 per cent to currency and deposits.

Provisions in the various States were as follows:

**IN MAINE.**

Banks not to issue currency in excess of their capital paid in, plus the specie in their vaults. Specie deposited in Suffolk Bank, Boston, to be counted as in their own vaults. Penalty tax of 24 per cent per annum on all currency in circulation during suspension of specie payments.

**NEW HAMPSHIRE.**

Nearly the same as Maine.

**VERMONT.**

Banks may issue currency to an amount double that of their capital. Penalty tax for suspension of specie payments of 12 per cent per annum on currency in circulation. Penalty tax of 1 per cent per annum on capital if bank fails to redeem its notes either in Boston or New York. Failure to redeem in one or the other of the cities for ten days incurs tax for the whole year.

**MASSACHUSETTS.**

Substantially the same as Maine and New Hampshire.

**RHODE ISLAND.**

Substantially the same as Massachusetts.

**CONNECTICUT.**

May issue currency to amount of capital—must keep specie equal to 10 per cent of deposits and currency in circulation. Deposits of funds in a New York or Boston bank to be counted as specie against deposits and currency, when the currency is redeemed in Boston or New York.

It will be seen that the provisions of the Walker bill are substantially the same as these.

The Walker bill penalty tax for failure to maintain "parity" is one-half of 1 per cent per annum imposed on deposits in order to make the penalty fall equally on all banks. It is on deposits especially that specie should be maintained. It is depositors, not holders of currency, who ship specie abroad and who demand gold. If the penalty tax is put on currency the city banks would wholly escape the tax. The Hill-Fowler bill imposes no penalty for failure to maintain parity.

**INJUSTICE TO COUNTRY PEOPLE IN PRESENT LAWS.**

Our country people have been so outrageously abused in the banking laws of the country in being deprived of banking facilities during the past thirty years that the very knowledge of "true banking" and

"true currency" has been lost out of the country. This most popular and useful agency known to civilization, viz, the bank, for loaning capital to the people, is hated and hissed, and justly so, were the banks themselves responsible for this outrageous banking system. It is hated for not doing what it is forbidden by law to do, and not for what it does. I stand by the country granger in his protest against his oppression rather than with the makers of Hill-Fowler bills, who, knowing their oppression, "keep the word of promise to the ear and break it to the heart." "Four years hence we will begin substantial relief and you will get it in eight years." They aggravate the curse by saying to him, "Go and come again and to-morrow I will give, when thou hast it by thee." Wait, wait, wait, until four years hence, eight years hence, eleven years hence! We are here under oath to legislate for the relief of our people now, and not to legislate to take effect in the days when our children will wear the mantle of authority and we are in our graves.

I know strong language is not argument, but there are times when men do not serve their fellowmen unless they use language strong enough to clearly characterize outrageous conditions and conduct. Even the Great Teacher characterized persons who bind heavy burdens grievous to be borne and lay them on men's shoulders and then do not touch them with so much as their little finger.

#### RELATIONS OF CITY AND COUNTRY BANKS.

Cities are built up by building up the country, and cities decay when the country districts decay.

The country banks are as necessary to the city banks as the mountain springs, their streams, and branches are to great rivers, and the country bank is as essential to the prosperity of the country as the city bank to the prosperity of the city.

The whole framework of every bill presented to the Committee on Banking and Currency, excepting the Walker bill, is drawn in despite of this axiom.

The prosperity of the cities can only be in the prosperity of the agricultural—the country—districts of the nation.

Every bill presented to the Committee on Banking and Currency, excepting the Walker bill, denies this proposition.

The oppressions, the rank injustice to the agricultural sections of the country perpetuated in the existing national banking law more than in the errors in legislation in all other national and State laws combined has contributed to the depopulation of the country and the uneconomic and undesirable swelling of city populations.

Men can not borrow money of individuals or of the officers of a bank they do not know, do not meet in their homes, in their churches, in their lodge rooms, in their trading, in the daily walks of life, etc. It is so in the country as much and no more than in the city. Country people can not borrow in cities or in large towns twenty miles from home—in other words, where they are not intimately known—excepting those with rare and exceptional means of acquaintance.

#### CITY BANK VERSUS COUNTRY BANK.

A strictly city bank in a reserve city, satisfying the infinite variety of wants of its customers, with its large individual deposit account, complex business expedients, and many forms of money obligations, differs very widely from a strictly country bank satisfying the limited

wants of its customers, with its large volume of circulating notes in the place of individual deposits, simple business expedients, and few forms of money obligations. They are as much alike and unlike as a Broadway omnibus and a McCormick reaper. Both are drawn by horses and men ride on both. The city bank with its way of doing business would be as useful in a rural community, or a country bank in a reserve city, as a reaper on Broadway or an omnibus in a wheat field.

The Hill-Fowler bill provides only for the omnibus, and the making of the reaper under it is impracticable.

Under the Walker bill both are kept constantly in view. Both can be constructed, and each used with equal advantage in its proper place.

#### RELATIONS OF CAPITAL TO BANKING.

In proportion as communities are advanced in both wealth and culture is capital aggregated in banks for the convenience of each and every citizen who, without capital, has sufficient integrity, ability, industry, and wisdom to make it reasonably certain that he will return the capital borrowed and what is agreed upon as interest or rent for its use. In modern society business can not be profitably done without nearly every doer of it has a partner in the enterprise, viz, the bank. Through borrowing of capital from a bank, and that only, it is made possible for the worthy poor boy of to-day to conquer to-morrow the place of the rich man of to-day.

These aggregated banks are of two kinds, and each bears a certain proportion to the aggregate of wealth.

1. The commercial banks, or "banks of deposit, loan, and discount," have to do wholly with personal property, and have capital and cash to about \$2,000,000,000 to \$26,000,000,000 total of personal property. Their aggregate capital is about 8 per cent to the total of personal property in the country. Adding \$2,680,367,000 deposits and \$1,000,000,000 currency, it will carry the percentage of banking funds to total personal property up to about 22 per cent banking funds to total personal property.

2. Trust companies of various names and kinds, such as savings banks, loan and trust companies, life insurance companies, etc., have to do wholly with realties, and have a capital of about \$8,000,000,000 to real estate property of \$40,000,000,000, their aggregate capital being 20 per cent to the real estate in the country.

Capital ceases to be capital when it ceases to afford an income. Capitalists therefore are always hunting for young men of integrity, ability, and industry who will borrow capital of them and pay a small rental on it, while the borrower of this capital makes a new fortune for himself in using the borrowed capital to develop the country.

These reservoirs of capital are the only things in civilized society that enable the man owning no capital to compete with the capitalist. Anything that hinders or in any way prevents the aggregating of capital in any community for the purpose of devoting it to loans to the worthy man who has no capital or not sufficient capital for useful, safe, and legitimate business, or increases interest on capital, is a fearful curse to the country. Very careful and conservative estimates show that the agricultural and suburban sections of our country are deprived of \$800,000,000 of banking funds, as compared with their per capita and city per capita bank funds, as compared with their bank funds to their personal property in 1860 and to-day, or fully 15 per cent to the total bank funds in the country. The Hill-Fowler bill provides the begin-

ning of a modicum of relief to these people in four years, to be consummated in eight years. This final relief is so small at the best as to be unworthy of the effort, and this promise even is of very doubtful fulfillment.

Under the Walker bill the relief in the additional banking funds to the sections of the country now destitute would surely come, and at once.

\* BILL H. R. 10339 AS COMPARED WITH BILL H. R. 10333.

I am constantly met with the statement, "Your bill is too long; why don't you make it shorter and more simple?" as if a bill dealing with the most complex and worst financial and bank system any civilized nation ever had, and at the same time maintained parity, according to the testimony of writers on finance and of financiers of great experience, such as Hon. Lyman J. Gage, Secretary of the Treasury; the Hon. Charles S. Fairchild, ex-Secretary of the Treasury; the Hon. James H. Eckels, ex-Comptroller of the Currency, and many others, could be "as simple as simple can be."

Certainly bill H. R. 10339 is short and simple enough. I drew it to accomplish two things: To show how unreasonable is the remark quoted, and second, to show how simple a bill would have accomplished in 1866 to 1870 precisely what my bill will accomplish to-day. If it had been passed then it would have saved the country from a sea of troubles. Had such a bill as H. R. 10339 been passed on April 12, 1866, with the bill of that date authorizing the Secretary of the Treasury to sell bonds to secure funds to cancel "United States notes not to exceed \$10,000,000 in the first six months and \$4,000,000 per month thereafter," our difficulties would have ended then and there. It was all the legislation needed then. It would be all the legislation needed to day had we no silver dollars, no United States notes, and no Treasury notes. The law of July 12, 1866, authorizing the retirement of the United States notes, would not have been repealed, as it was in January, 1869.

Walker bill H. R. 10339, in the conditions of 1866 to 1873, is the financial and banking equivalent of Walker bill H. R. 10333 in the conditions of 1898.

Had bill H. R. 10339 passed any time previous to January 14, 1875, the legislation of that date again passed to retire the United States notes would not have been again needed and again passed only to be again repealed on May 4, 1878.

Had our statesmen of that time enacted such a bill the New England banks would have returned immediately to the Suffolk system of current redemption in Boston, a "large central commercial city," which the present law most foolishly and viciously forbids.

New York would soon have joined New England, and every State bank in the country would have been brought into the system precisely as the Walker bill provides for to-day, and New York would soon have taken the place for the whole country that Boston held for New England up to 1864.

In fact, that bill at that time would have given the country, by the necessary but voluntary combination of the banks in the country, precisely what the Walker bill would give the country to-day. There can be no doubt that the banks themselves, without any action of the

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\*On pp. 240, 241.

United States Treasury under bill H. R. 10339, would have resumed specie payments long before 1870, when the premium on gold touched 14.9, and run down in 1871 to 11.7, etc., and up again to 15.1 in 1875. Had such a bill as H. R. 10339 passed any time between 1866 to 1878, every citizen would have had his "right to life, liberty, and the pursuit of happiness" in money matters restored to him.

All business men, merchants, manufacturers, farmers, bankers—all classes—were clamoring for resumption of specie payments ever after 1866, and they directed and controlled the banks. The banks had two to three times the gold during the whole period from 1867 to 1879 that Secretary of the Treasury Sherman had in the United States Treasury when we resumed in 1879. As a matter of fact, to the banks belongs the credit of the conditions making resumption of specie payments by Secretary Sherman possible in 1879.

While it is true that without the hearty and most active assistance of the banks Secretary Sherman could not, by any possibility, have resumed specie payments in 1879, it is also true that had the Government rendered no assistance whatever the banks could and would have resumed long before 1873 under such a bill as H. R. 10339 as surely as the banks can and will maintain parity between silver dollars and gold dollars and between all our paper money and specie to-day under Walker bill H. R. 10333 as law, for there is no conceivable relief excepting under a law drawn on the lines of the Walker bill.

The Walker bill is simplicity itself as compared with any other general bill that has been before the Committee on Banking and Currency. It is as unjust to criticise the Walker bill of to-day because it is long enough and none too long, and complex enough and none too complex, to meet all the chaotic and complex conditions that do exist to-day, and to surely settle them, and without the slightest shock to our financial and banking conditions during the transition, even during a panic, as it would have been to have criticised the Walker bill, H. R. 10339, offered before 1875, because it "was not long enough" and "complex enough" to meet conditions not then chaotic and not complex.

A condition a hundredfold more difficult than confronted Alexander Hamilton and Albert Gallatin in this country or John Locke or Sir Isaac Newton in England can not be settled by ratiocination, as is attempted by the framers of the Hill-Fowler bill. To solve the problem, patient investigation and severe study are necessary to the brightest and ablest men. Late comers are welcome, but the Hill-Fowler bill shows the result of their insisting on taking the front seats.

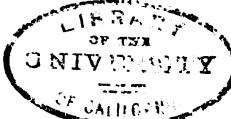
What was the Republican party doing in this matter from 1866 to 1873? What is it doing now? What was the Democratic party doing from 1866 to 1873? What is it doing now?

#### THE SUBTREASURY SYSTEM.

Never before was a practice continued so long after its substance had departed as our subtreaury system. The national subtreaury system as now administered, violates every principle it was established to put into practical operation.

When it was established the idea of Jackson was to keep the Government Treasury entirely independent of banks and to be itself in antagonism to banks.

To-day it has become the fundamental and responsible bank of all banks in its connection with the New York Clearing House, the



guarantor of the value of all banking funds as well as paper money, and the reservoir from which is drawn, in times of monetary stringencies and panic, the gold for shipment and the gold that keeps the solvency of all banks. In fact, it has become the exact opposite of what Jackson made it and intended it to continue to be. The Hill-Fowler bill intensifies its subserviency to banks as the guarantor of the value of their funds and the supplier of gold to banks and to brokers, both foreign and domestic.

Under the Walker bill every one of these conditions would be reversed. The National Clearing House would be first of all the servant of the Government and the guarantor of the Government funds and the receptacle of all gold and the guarantor of parity, and in turn the furnisher of all needed gold for domestic use or shipment, and this at a profit to banks, whose servant it would be. It would be able to protect the commercial gold in the country, as the banks of England, France, and Germany each protect its gold. It would also maintain parity and pay out gold and silver, precisely as does the Bank of France and the Bank of Germany.

#### EVILS OF SUBTREASURY SYSTEM.

"Whatever may have been the condition of the banks of the country which seemed to justify the establishment of the subtreasury, it is to-day the greatest curse that afflicts the finances of the country. It not only places duties, powers, and opportunities in the hands of the United States Treasurer such as no human being should ever be intrusted with, but it compels him to do what is made a misdemeanor, visited with severe penalties when done by a bank, and would not be submitted to for a day if done by an individual, namely, it locks up the money of the people. The making of any loan upon the security of United States or national-bank notes, or agreeing for a consideration to withhold the same from use; in other words, the "locking up" of money, is made a misdemeanor, and the bank committing the offense is punishable by a fine of \$1,000 and a further sum of one-third of the money so loaned. The officers of the bank making the loan are also subject to a penalty equal to one-quarter of the money loaned.

"This provision of law is not applied to individuals, because locking up money is an offense they do not commit without the assistance of banks. These severe penalties were provided because the locking up of money was an injury to the public; and furthermore, the injury is in exact proportion to the amount of money locked up, and is not made any greater or less by the 'locking up' being done by a bank, an individual, or by the United States Treasurer.

"Yet, in the face of the enactment of a law by the United States Government severely punishing a bank for withholding currency from circulation, it maintains the subtreasury in violation of every sound maxim of finance, in violation of the laws governing the banks, and in the face of the damage to the industries of the country admitted to be done by it every day of its existence, now necessarily inflating and now necessarily curtailing the volume of the circulating medium by the accumulation in or the disbursements from the Treasury"—[Money, Trade, and Banking (p. 81), by J. H. Walker. Houghton, Mifflin & Co., Boston, 1882.]

The Hill-Fowler bill would perpetuate and intensify every one of these Treasury abuses.

The Walker bill would correct every one of them, and that at once.

## TREASURY CONDITIONS.

No one who knows them would make a comparison between Hon. John G. Carlisle and Hon. Lyman J. Gage to the detriment of either. Each stands at the head of his profession, Hon. John G. Carlisle in integrity and as a lawyer and eminent parliamentarian, and Hon. Lyman J. Gage in integrity and as a financier and banker. Each has held the Treasury portfolio under a condition of deficit in Treasury receipts to meet Treasury expenditures. One an eminent lawyer under Hon. Grover Cleveland, the other an eminent financier under William McKinley. The strictly "Treasury conditions" were identical under each. Under Carlisle confidence was destroyed by conditions entirely outside the Treasury proper. Because of these conditions we had the panic of 1893, with ruined private credit, the sale of United States bonds at ruinous prices, and its millions and billions of dollars in shrinkage of values and the wrecking of fortunes and distress of the people. Under Mr. Gage, even in war, confidence is assured, and by conditions entirely outside the Treasury proper. The Hill-Fowler bill leaves us in exactly the same condition as Mr. Cleveland and Carlisle found, and the same results will follow the same conditions.

The Walker bill completely separates the United States Treasury from our financial institutions immediately and forever, and makes the Carlisle-Cleveland condition of 1893 impossible.

It is no answer to cite tariffs or financial theories of administrative officers. Assuming that losses would occur under one tariff and gains under another, under the Walker bill as law they could not materially affect the price of United States bonds or cause a panic originating in the condition or administration of the United States Treasury, for the Treasury would be eliminated from finance and banking. Opinions as to the changes or threatened changes in the management of the United States Treasury could not affect the business of the country, for Treasury conditions would be fixed by law, and unalterable by a Secretary.

Our Treasury and banking conditions would be absolutely independent of each other, each under the management of its own officers, and neither could control or materially affect the other.

Our financial system would then be founded upon a rock like that of France. Our system then would be more like that of France than that of any other country, but superior to it as institutions built up from the bottom, like those of this country, are more enduring than those built down from the top, like that of France and its bank.

When specie payments were suspended in 1870 gold went to a premium of only  $1\frac{1}{2}$  per cent in the paper money of France, and soon fell to 1 per cent. It did not rise again until the payment of the indemnity to Germany, and never rose above  $2\frac{1}{2}$  per cent premium at any time, and was at that point only for a short time—and this with France conquered, its government destroyed, and lying helpless at the feet of Germany.

With our inexcusably vicious Treasury system, and wholly because of the union of our banks with the quick assets of the Treasury and the making of the soundness of our currency dependent on the price of United States bonds, a gold dollar was worth during 1862 \$1.13. It sold for \$1.45 in paper money after Gettysburg on July 3, and after Vicksburg fell on July 4, 1863, and when our final victory was assured. After Sherman captured Atlanta, September 2, 1864, a gold dollar averaged to sell all through 1864 for \$2.03 in paper money. Then no doubt existed as to the stability of the United States Government. During Sherman's march from Atlanta to Savannah and up to Virginia

in the early spring and until Appomattox on April 8, 1865, gold sold for \$1.57 in paper.

The salvation of France when her Government was utterly destroyed and a Committee of Safety was trying to make terms with her conquerors camped in her capital and Germany held her chief places, the Bank of France stood like a shaft of marble in surrounding chaos, a beacon of liberty to her people. Look again at this significant fact. A gold dollar during all that time could be bought for \$1.01 in French paper money, excepting for a few months after peace it went up in price to \$1.02 $\frac{1}{2}$ , in her paper money, for a brief time.

The Hill-Fowler bill is potential only in such financial humiliations for the future as those from 1862 to 1879 and of 1893, as surely as under like conditions history will repeat itself.

Under the Walker bill they would be impossible. It would correct every evil. As independent, self-sufficient, and even stronger than the Bank of France is its system of union of every commercial bank in the country into one whole. A system democratic to each bank and still a unit in a completed whole.

#### WASTE OF THE PRESENT SYSTEM.

The direct and inevitable waste in the present system demands immediate action. The Treasury has only kept its place in the New York Clearing House and kept the parity between silver coin and gold coin and between our paper money and specie by keeping in the Treasury an average available cash balance of \$204,000,000, including "agency accounts," for the eighteen years from 1880 to 1897, inclusive—about \$120,000,000 in free gold. Allowing for a "working balance" of more than England, France, or Germany averages to keep—say \$35,000,000—leaves \$170,000,000.

Collected by taxes from the people and needlessly kept in the Treasury, \$170,000,000, worth to the people, 6 per cent .....	\$10,200,000
The needless expense of the subtreasury .....	1,000,000
Annual Treasury loss.....	11,200,000

It was stated by Secretary Gage and Ex-Secretary Fairchild, and is conceded by all writers on finance, that all currency that is issued, as it is in Great Britain, France, Germany, and all other nations excepting the United States, and "kept out" by banks, is earning the banks the rate of interest charged its customers on loans, and that it invariably lessens the rates of interest charged in the same proportion that the average currency actually out in circulation bears to the total loans and discounts of banks. Under the present banking law there is practically nothing made on bank currency when banks are compelled to buy bonds to get it at the prices prevailing from 1860 to 1892, and in any prosperous times. There is over \$1,000,000,000 of paper money in circulation in the country. At least \$800,000,000 would be circulated by banks if the Walker bill was made a law; or if it was issued here as it is issued in all other countries, at 5 per cent, it equals \$40,000,000. That would then be saved to the people in lower rates of interest on bank loans.

At the very least estimate of the cost the direct and indirect tax on the people is \$50,000,000 per annum. It is really many millions more,

mostly falling on the agricultural sections of the country, as large city banks buy United States bonds as an investment.

Adding to this loss the premiums paid on United States bonds the Government was forced to buy with the taxes on the people accumulated in the Treasury, in order to save our whole banking system from wreck, and the losses from monetary stringencies and panics which are wholly chargeable to the system, it can be conclusively proven to any body of unprejudiced, plain men that hundreds of millions into the billions would not cover actual unnecessary and inexcusable loss in recent years. The conditions that prevailed in 1893 are sure to recur again to a greater or less extent unless the bank act is wisely amended. Some aspects of the situation even now are more threatening and portentous of evil than they were from 1880 to 1892.

In view of the incontrovertible facts already stated it appears that the solution of our financial and banking ills is not possible by any bill drawn on the lines of the Hill-Fowler bill, or any bill yet presented to the Committee on Banking and Currency, excepting only the Walker bill, H. R. 10333.

#### COMPARISON OF HILL-FOWLER BILL AND WALKER BILL.

The Hill-Fowler bill is written in obliviousness of the fact that banking is wholly a voluntary business and comparatively few of those engaged in it receive pay. Banking law should contain no mandatory provision that by any safe permissible form of application of small pressure can be avoided. The Hill-Fowler bill is fatally mandatory in several matters.

The Walker bill, in this respect, is wholly different. It sets up only a very few very wide boundaries and allows banks to manage their own business in their own way as far as it is safe to the people who borrow money from them.

The Hill-Fowler bill does not relieve the United States Treasury from the current redemption of every form of paper money and from any responsibility whatever for maintaining the parity of our various kinds of money.

The Walker bill securely does both.

The Hill-Fowler bill does not devolve these duties upon the banks of the country.

The Walker bill securely does it.

The Hill-Fowler bill does not allow banks to issue "true bank currency," viz, currency against their assets, to any proportion that would foster country banks.

The Walker bill allows its issue to the amount of the capital of the bank.

The Hill-Fowler bill makes no attempt to securely unite all the commercial banking associations of the country into one compact system to securely and safely do the things it proposes.

The Walker bill securely does it.

The Hill-Fowler bill runs counter to all writers on finance and the judgment of practical financiers and bankers, who all agree in the following as of the first importance in providing a paper money currency, viz, that it shall be—

1. Safe.
2. Freely issued.
3. Abundant.

## 4. Uniform.

## 5. Elastic.

The currency provided in that bill fails at every point. It is far from being as safe in being guaranteed by the Government as that of the Walker bill. It is neither as freely issued, as abundant, as uniform, nor as elastic.

## MONEY IN EXISTENCE.

The Hill-Fowler bill takes the six kinds of paper money: \*

1. United States notes (legal tender).....	\$346, 681, 016
2. Treasury notes.....	101, 575, 280
3. Currency certificates.....	29, 130, 000
4. National-bank notes .....	228, 203, 926
5. Gold certificates.....	37, 466, 149
6. Silver certificates.....	398, 768, 504

## Legal tender coin:.

8. Gold .....	760, 274, 281
9. Silver .....	461, 180, 422

and proposes to destroy three kinds of this paper money, United States notes and gold certificates and national-bank notes, and substitute three new kinds, all "bank currency" notes:

National reserve notes,

National-bank notes,

National currency notes,

leaving seven kinds of paper money afloat, as now. (The Treasury notes will be disposed of by coining silver bullion to pay them as the country grows.)

## WALKEE BILL APPROVED.

Every word that discusses general principles in the report accompanying the Hill-Fowler bill approves the Walker bill and condemns that bill, and yet their bill continues the hardships of the present system. The report says:

"The ideal condition will be reached when, the person having made the necessary deposit, the bank can furnish him either a check book or its notes with equal ease and at equal cost, leaving the customer to select the form of demand obligation which will best serve his legitimate business purposes. As a matter of fact, the same management of the bank which will render the check safe will make the note safe. But, as has been said earlier, the note is to go everywhere and be used by people unacquainted with each other or with the bank. To facilitate its use, therefore, it must be issued under a system which can be readily understood and which will give to the people generally such assurance of the goodness of the note that it will be accepted without hesitation by everyone.

\* \* \* "It is obvious that the issue of a banking currency based purely upon assets, without either bonds or reserve notes, will involve no risk of undue inflation or of loss to the note holder.

\* \* \* "The people will have the use of nearly double the amount of coin and currency at about one-half the rate of interest they are now compelled to pay. Thus the capacity to make larger loans means the

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\* In existence June 16, 1898, per Treasury report.

† Estimate by Treasury Department for June 1, 1898.

capacity of the banks to reduce interest rates without loss of profits. It means that if any bank undertakes to resist the natural law of decreasing interest under increased facilities, new banks may be formed *without sinking their capital in bonds purchased at a premium*, and may compete for the legitimate profits afforded by reasonable interest rates. More than this, a currency based upon commercial assets, and not rendered rigid in volume by the deposit of special security, comes back promptly to the issuing banks for redemption. \* \* \*

"Mr. A. O. Eliason has examined all the bank failures whose accounts have been closed, numbering one hundred and one, and found that had all the banks in the national system issued an amount of currency equal to their capital, or one hundred per cent, the assessment on the same to cover losses would have been infinitesimal, being only one-nineteenth of one per cent per annum."

After thus approving most heartily and thoroughly the principles of the Walker bill, which provides the annual collection from the banks of four times the amount necessary to make the Government safe in guaranteeing the currency notes banks would put in circulation, they present a bill which leaves 60 per cent currency to capital without the guaranty of the Government, and also compels the country banks to "sink their capital in bonds purchased at a premium" to the tune of 40 per cent to their capital, and furthermore discredits their currency issued against their assets by twelve disabilities.

The lack of appreciation by the framers of the Hill-Fowler bill of true principle and practice in issuing and redeeming paper money is shown by their proposition to destroy the "endless chain," as follows:

"Believing that this bill, if enacted into law, will relieve the Treasury by destroying the 'endless chain.'"

Secretary Gage and ex-Secretary Fairchild, as everyone knows is true, testifying in answer to the chairman, recognized the "endless chain" of currency redemption as an inherent and necessary condition to sound paper money, as follows:

**The CHAIRMAN.** Can you suggest a more apt illustration of the necessary inevitable constant flow of currency in and out, coming in contact potentially with the specie it represents, than an endless chain which never ceases for an instant to move potentially or actually, and that anything that impairs any link of the chain does the currency system injury? Can either of you gentlemen suppose a more apt illustration?

Secretary GAGE. I think there are a dozen you might use.

**The CHAIRMAN.** Will you suggest any one of the dozen?

Secretary GAGE. Say individual buckets. We have adopted the endless chain as a figure of speech, which probably conveys nearly the idea involved, namely, that whoever has demands against the Government or anyone else can take those demands and have them realized in redemption money, in specie. If these obligations are again issued, the new holder can do the same, and so there is a sort of circle established, or, it may be, on the one hand, the notes flow out, and in the course of the movement of trade or commerce or distrust the notes come back in a circular movement. That is not a horrible thing; it is natural, reasonable, and proper, and the issuer should never complain. Let him meet his liabilities on demand.

**The CHAIRMAN.** Is not that what will take place in making a redemption fund?

Secretary GAGE. I think it is.

**The CHAIRMAN.** Can you suggest anything further, Mr. Fairchild?

Mr. FAIRCHILD. No, sir; I think that is perfectly true.

## CURRENCY PROVISIONS OF THE HILL-FOWLER BILL.

The Hill-Fowler bill puts the mark of Cain on its national currency notes. This money is for our country people. Not a dollar of this money will be issued by banks in redemption cities which have half the paid-up capital of national banks.

SEC. 30. (1) It is taxed 6 per cent per annum if issued above 40 per cent to capital.  
SEC. 30. (2) If in the vaults of the bank and not in use this excess over 40 per cent is still taxed 6 per cent.  
SEC. 33. (3) In liquidation only gold coin can be deposited to cancel these notes.  
SEC. 23. (4) Must put up with the Government 5-per-cent gold "guaranty fund" on them, in addition to the current redemption fund it puts up.  
SEC. 22. (5) Has a separate "current redemption" from the other two kinds of bank money.  
SEC. 22. (6) Must be marked "plainly and prominently," so as to attract attention to its being a poorer kind of money, that it "belongs distinctively to some one clearing-house district."  
SEC. 22. (7) Can not be paid out by any bank out of its "redemption district."  
SEC. 22. (8) Has a clearing-house district made especially for it. The district is not for and does not include the other two kinds of bank currency.  
SEC. 22. (9) No reserve 5-per-cent or other fund is provided for their current redemption in exception to the other two kinds of notes.  
SEC. 14. (10) No funds of an insolvent bank can be used to pay any of these notes until the other notes are paid.  
SEC. 15. (11) That the Government has no interest in making this "currency note" good money is rightly made conspicuous in the bad form designedly given these notes by this provision. "It [note] shall also bear upon its face the statement that it is issued in accordance with the provisions of this act." These things will sufficiently damage these "national-currency notes."

Under the Walker bill there is provided a currency note with as strong a Government guaranty as now. Only such notes are used in Canada, Scotland, France, Germany, England, and all other first-class nations. The Walker bill adds the guaranty of the United States Government. The Walker bill provides that everyone of them shall be immediately paid by the United States Treasurer in case of the insolvency of the association issuing them. The Walker bill makes an appropriation to pay these notes of every association in case of its insolvency. The Walker bill provides a way for the United States to collect of banks and have on hand several times more money than it can ever pay on this guaranty.

The framers of the Hill-Fowler bill are not willing to have the circulating bank notes provided in their bill and issued by the Government as money, used to pay the "salaries and other debts on demand owing by the United States to individual corporations and associations within the United States," but finding such a provision in the law as to national-bank notes, repeats it.

Under the Walker bill no such discrimination against any form of our money is made. All kinds of paper money are made and kept as good as the best by the Government.

#### GREENBACKS NOT DESTROYED BY THE WALKER BILL.

Neither does the Walker bill destroy the United States notes. The Hill-Fowler bill does destroy them. The Walker bill keeps them exactly as they now are, and puts their current redemption on the banks. The Walker bill proposes to destroy all the gold certificates and silver certificates and pay out to the people the gold and silver dollars in their place. Thus the Hill-Fowler bill provides six kinds of paper money in permanency, no one of them legal tender, in violation of sound banking principles, while the Walker bill provides but one, viz, currency notes, in accord with common sense and sound banking.

The Hill-Fowler bill does not make the United States Government as now responsible for the immediate payment of every dollar of the currency notes issued by it to a bank in case of insolvency and directly out of the United States Treasury, and without qualifications or delay and regardless of all contingencies.

The Walker bill makes the Government of the United States the guarantor of every dollar of currency issued by it to a bank as now, and makes an appropriation from the Treasury in the body of the law to secure the immediate payment of such notes by the Treasurer as certain as it is to-day.

The Hill-Fowler bill makes confusion in redemption by providing two distinctive redemption agencies for its three kinds of circulating bank notes, and one of them outside the banking system.

The Walker bill provides one redemption for its one kind of bank notes, and that inside the banking system.

The Hill-Fowler bill appears to be drawn in the interest of large city banks. It gives such banks every advantage and unfairly discriminates against country banks.

The Walker bill is drawn in fairness to large banks and small banks, city banks and country banks, for farmers, for merchants, and for manufacturers.

The people having been thoroughly educated in the idea that no true bank currency, that is to say, currency issued against the assets of the bank and relying wholly upon them for payment in case of insolvency, can be safe for them to have in their pockets, therefore it becomes absolutely necessary to have all currency guaranteed by the Government, as now. A guaranty may be given in five different forms—by a mortgage, by pledging bonds, by an agreement, by indorsement, and also by certifying to the genuineness of a paper and that the certifier is in possession of funds to pay it, like certifying a bank check.

All but the note secured by mortgage depends wholly upon the solvency and amount of capital possessed by the party making the security in proportion to the amount guaranteed, whether it be a person or the United States Government. No one can deny that an appropriation made in the body of the banking law out of any moneys in the Treasury not otherwise appropriated to pay the notes of an insolvent bank is as good a security and more easily availed of, and is tantamount to a Government bond. "To guarantee" is the synonym of "to secure," if made by the same party and without mortgage. To argue that a United States Government bond is a better guaranty or security than

an appropriation in money in a United States law is to argue that a "promise to pay" is better than "cash in hand."

The compensation to the United States Treasury for guaranteeing the currency notes issued by the banks would run as follows:

On \$200,000,000 of United States notes carried by banks, at $2\frac{1}{2}$ per cent .....	\$5,000,000
Maintaining parity on \$500,000,000 of silver dollars, for which all the other bills propose to deposit 5 per cent gold in the Treasury, which would equal \$25,000,000 at $2\frac{1}{2}$ per cent .....	625,000
One-fifth of 1 per cent tax on \$600,000,000 of currency....	1,200,000
Gain on that part of the currency destroyed and never presented for redemption, as proved by the thirty years' experience of the Treasury, two-fifths of 1 per cent on \$600,000,000 is.....	2,400,000
	<hr/>
Saving in cost in handling the United States Treasury....	9,225,000
	<hr/>
	1,000,000
	<hr/>
	10,225,000
The necessity under present conditions of carrying an im- mense amount of money collected by taxation in the United States Treasury, \$175,000,000 at $2\frac{1}{2}$ per cent ....	4,375,000
	<hr/>
Saving per annum to the United States Treasury ..	14,600,000

This at  $2\frac{1}{2}$  per cent. It should be reckoned at 5 per cent or more, \$30,000,000 per annum at least. Not a farthing of this \$30,000,000 of saving would become an expense on the banks.

The provision in the Walker bill requiring every commercial bank to assume its equitable and proportionate part of the United States notes, according to its actual capital, and in a way to make them an advantage to the banks, is only one incident of the provisions of the Walker bill. It is necessary during the period of transition from that of their present isolated condition into the cooperative system provided for, and is in no sense essential to or necessarily a part of the Walker cooperative scheme. This is made unequal and a hardship in the Hill-Fowler bill. They are so small in the amount each bank is required to take and so equitably distributed by the Walker bill as to be an advantage and not a burden to any one bank, as the banks are allowed to issue an equal amount of currency. They remain as now, being issued under the same law and a United States legal-tender note, while the Hill-Fowler bill destroys them. The Walker bill provides for their continued existence and provides for their equitable annual redistribution among all commercial banks in the country as long as the national banking system shall last.

#### ADVANTAGE OF A NATIONAL CLEARING HOUSE.

Did the New York clearing house or the national clearing house provided for in the Walker bill have a legal existence, it would not be at all necessary to require individual banks to specifically assume any amount of particular United States notes in the cooperative scheme provided in the bill. The thorough union of the banks and incorporat-

ing the clearing houses is the real substance of the Walker bill. There is not now an incorporated clearing house in the country to deal with in a banking law.

#### ONE GOOD THING IN THE HILL-FOWLER BILL.

The Hill-Fowler bill apparently, but not actually, disposes of the United States notes in something of the same method as the Walker bill, at the beginning, in devolving the United States notes on the banks, but it surely and absolutely fails. It changes the essence of the present legal-tender United States notes as much as it does their name and equitable distribution. They become non-legal-tender "national reserve notes."

The Hill-Fowler method may, at first glance, look like the Walker method, but they certainly are as different in essence as the poisonous toadstool from the nutritious mushroom. Its method of distribution violates the principle of equity as between new banks and old banks, in devolving them upon the old banks in the beginning, now in operation, and leaves them on these banks, a disproportionate burden for all time to come.

#### CURRENCY NOT LESS THAN \$10.

The Hill-Fowler bill deprives banks, mostly country banks, of \$274,000,000 of circulation in \$5 notes by needlessly forbidding any bank to issue any currency under the denomination of \$10.

Under the Walker bill the limit is \$3 or under, practically allowing no bill under \$5, thus allowing a circulation by banks in this one item \$274,000,000 more than the Hill-Fowler bill, and reduces rates of interest to borrowers as \$274,000,000 is to the total loans by banks.

The Hill-Fowler bill provides a currency on more than half of which the rate of interest on loans in using it will have to be varied every day in the year to pay the same dividend on the stock of the bank, and the issuing and withdrawal of which will be governed by the price of United States bonds in the market and the time they run, as now, and not by the demands of business.

The Walker bill provides a currency to pay the same dividends. The interest on loans in the use of it will be the same every day in the year.

The Hill-Fowler bill only makes room for its bank currency in addition to its substitution of reserve notes for

United States notes by retiring gold certificates.....	\$37,000,000
National-bank notes.....	227,000,000

Total .....	<u>264,000,000</u>
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The Walker bill pays out gold for United States notes...	146,000,000
Gold certificates retired .....	37,000,000
National-bank notes .....	227,000,000
Silver dollars in reserves .....	200,000,000
Five-dollar notes, forbidden in Hill-Fowler bill .....	274,000,000

Total .....	<u>884,000,000</u>
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\$200,000,000 United States notes are to remain and can never be destroyed.

## CURRENCY CONDITIONS.

The Hill-Fowler bill changes present currency conditions by a very small degree, and would not effect a reduction of interest on loans sufficient to enable banks to be formed in country districts.

The Walker bill provides for such a change as to allow banks to issue "true bank currency," viz, against their assets, and reduce interest in those districts from one-third to one-half.

Under the Hill-Fowler bill a bank of \$100,000 capital will have to surrender from \$25,000 to \$40,000 of its capital in the purchase of bonds as a license fee to do business, when it commences business.

The Walker bill does not require the bank to become a bondholder by a single dollar in order to do business, and not to surrender any part of its capital, excepting in case of insolvency.

Under the Hill-Fowler bill the Comptroller can not know what the condition of a bank was, as shown by its books, on any given day, excepting the days on which the "bank examiner" went through it.

The Walker bill provides for a daily report of its condition to the Comptroller, and the examiner will have before him the condition of the bank on every day to verify when he goes to the bank.

The Hill-Fowler bill isolates and makes peculiar each bank, and makes it liable itself alone to be called upon for gold for every note it issues and by every banker who gets one. This isolation makes it unsafe for any bank to pioneer in the system even if it would be safe when the system was in full operation, which it is not. This is true of all banks that go into it until all are in, and then the country bank will be in a perilous condition.

Under the Walker bill every bank is absolutely safe during the transition, as the condition of no bank entering the system is affected in its obligations or duties until a given time, when the system becomes instantly in full operation.

No bank that enters into the system is affected by the provisions of the bill until all commercial banks in the country come under its provisions.

Immediately upon that event, existing United States notes assumed by any bank lose their identity so far as they belong to any particular bank that has its name printed on the back of them as responsible for their current or ultimate redemption, gold being massed in the national clearing house to redeem all of them.

They are then to the bank as the gold they hold, only appearing with gold in their cash reserves.

## CHARACTER OF NOTES.

The Hill-Fowler bill not only compels the bank to buy "national reserve notes" of the Government (strictly a bank note) and pay United States notes for them, which provision may put them at a premium, but it requires the bank to put up a 5 per cent gold current redemption fund for them, so the bank only gets \$95 for every \$100 it pays out.

The Walker bill keeps the identity of the present greenbacks and only prints the notes of the bank on the back of the identical greenback. It allows the banks to give nearly every kind of money for them excepting bank bills. All money can not be "cornered," as United States notes. The Walker bill requires the Government itself to put up the 5 per cent current redemption for its own notes. Thus the bank gets \$100 legal-tender money in exchange for each \$100 it pays in.

The Hill-Fowler bill continues the present law forbidding banks under any circumstances to use their "reserves" for the very purposes for which they are kept.

The Walker bill permits banks to use their "reserves" in any legitimate way.

Under the Hill-Fowler bill, as under the present law, every operation of the Treasury would expand or contract the currency to the serious injury of the business of the country. Witness the outcry all over the country that the Treasury is contracting the currency and injuring business in collecting the pay on any debt due the Government.

Under the Walker bill whatever sum the Treasury had or failed to have available, would not affect the volume of the currency of the country by the smallest fraction. It would be in the national clearing house where the people could use it.

Under the Hill-Fowler bill, as under the present law, national-bank currency notes, which are certificates of deposit and the people's money, are a freak money. They are forced out of circulation when the credit of the Government is best, business most active, and the people need the most money; they are forced into circulation by the banks when the people do not need them and can not use them, and the Government is distressed, as in 1893 and 1894.

Under the Walker bill it would be for the interest of the banks to issue the most money when the people needed it, and to just as large an amount as the people could use. The competition between banks in forcing it out will make it just as cheap as money can possibly be issued under any system and kept "good" and honestly used by the people, and when they most need it. That part and only that part of the currency which the people can not profitably use will be forced back to the banks.

Under the Hill-Fowler bill, as under the present law, the United States will have the highest interest rates in the most expensive currency system of any first-class nation.

#### LOW INTEREST UNDER THE WALKER BILL.

Under the Walker bill interest on loans will be as low, and this all over the country, as anywhere in the world. Currency will be issued to the people by the Government, not at 2 per cent interest, as the Populists want, but for nothing, to any five persons that get together capital enough to guarantee the safety of the currency they take and to the amount of their combined capital, as is done in every country, the United States alone excepted.

#### BOARD OF ADVISERS.

Under the Hill-Fowler bill, as under the present law, there is no way for the Secretary of the Treasury to avail himself of the expert assistance that is absolutely necessary to him to properly discharge his duties, and that every banker in the country has in his board of directors his clearing-house committee and banking associates, etc. To-day, if the Secretary seeks any advice he thereby inaugurates a panic—the very panic he may be seeking to avert.

Under the Walker bill the reverse is true. It provides for the assistance of the Comptroller, nominally, but really for the Secretary of the Treasury, a board of seven men—men who have risen to the very highest eminence in their profession. They have not attained to their places

by favor, but have conquered them by hard, diligent, continuous work for years. Their position at the head of the greatest financial institution of the world, developed in the Walker bill, not by appointment, but by conquest, will place them in a position not only equal to that of the directors of the Bank of England, but far above them.

Their attainments will rank in finance and banking with the justices of the Supreme Court of the United States in law. Their salaries will come to them naturally, as their duties are met, and from the banks, not from the United States Treasury.

The prizes for party workers provided in the Hill-Fowler bill, at an expense of \$23,000 to the Treasury in the triple-headed Comptroller, make more conspicuous by contrast the excellence of the provision in the Walker bill for this board of advisers. In the Walker bill the interests of the plain people of the country find protection in the hands of their special representatives, viz, the President, Secretary of the Treasury, and Comptroller of the Currency, who are given ultimate control. On the other hand, the highest efficiency and economy of service are secured to the banks by their officers and by the board of advisers.

#### PROTECTION OF GOLD RESERVES.

The Hill-Fowler bill affords no chance to the United States Treasury or to banks to protect its gold by banking methods, while united banks can protect themselves surely and safely.

The Walker bill affords banks the same chance to protect themselves against unreasonable depletion of their gold as the banks of France, of Germany, of England, and other countries do. Under it no call for gold under any circumstances can be made on the United States Treasury. It would be of as much indifference to the country what the Government paid out as what John Jones, Sam Smith, or anyone else paid out.

The Hill-Fowler bill provides no way of ending the liability of the United States Treasury to furnish to anyone demanding it all the gold needed by banks, or by domestic or foreign brokers, for speculation or to ship abroad.

The Walker bill ends it the day it goes into operation.

#### NO RELIEF TO THE TREASURY BY THE HILL-FOWLER BILL.

The Hill-Fowler bill holds out no inducement in any form for the banks to assist in relieving the United States Treasury of the current redemption of one dollar of United States notes in addition to the amount their bill forces them to take, viz, \$157,872,024—less than half of them.

The Walker bill, in addition to what it requires banks to take, has so large an inducement to banks to assume them and wholly and immediately relieve the Treasury of all of them, in allowing banks to issue an amount of currency equal to the amount of United States notes they assume the current redemption of, that the banks are restricted by the bill in the amount they can take.

#### PROTECTING REDEMPTION GOLD.

The Hill-Fowler bill, in full operation, makes the isolated and helpless country banks furnish to the isolated but powerful city banks not only all the gold they need but all the gold needed in the whole system.

The country banks, in turn, would demand the gold they needed of the United States Treasury, making conditions worse than now—in the city banks putting the country banks between them and disaster, while now the city bankers or brokers, or foreign brokers wanting gold to ship, go straight to the Treasury and not to city banks or country banks.

The Walker bill combines all the commercial banks in the country into one whole to furnish gold and maintain "parity," and masses all the gold in the country in two or three centers of trade to protect each and every bank with these masses of gold coin.

The Hill-Fowler bill compels the division of gold in 3,000 to 10,000 small parcels and the isolation of a little gold in each bank. Each bank is required to keep its gold in its own vault for itself alone and redeem its own notes in gold only. The country bank can not, in the nature of the case, keep enough gold to protect itself against a senseless scare among its customers or from being blackmailed by any powerful bank, broker, or any operator, either for revenge or for pelf.

The Walker bill compels all the banks to combine to maintain parity and to protect the gold of each solvent bank.

#### CLEARING-HOUSE CONDITIONS.

The Hill-Fowler bill requires as for twelve years, from 1879 to 1891, the United States Treasury to take all the risk and be at all the expense of the clearing-house system and the current gold redemption of legal-tender and Treasury notes. Then, and it will be the same again, confidence could not be maintained in such empirical practices without a surplus in the Treasury as large as was then held—hundreds of millions, a large part of it in gold. In every other country in the world the banks are required to assist and sustain the Government. The Hill-Fowler bill would, as now, compel the Government to support the banks.

Under the Walker bill the United States Treasury would only touch the national clearing house as a fiscal agent and depository of public moneys, having as a guaranty of the safety of such deposits the whole \$2,000,000,000 of cash reserves and banking capital of the country as a guaranty fund for its payment by the national clearing house. The Treasury could in no event incur any loss or be put to any expense, as it would be the only depositor of money in that association. Except in the Walker bill, or its equivalent, there is no possible way of avoiding the continuance of enormous loss to the people.

It provides a more effective and far safer connection of the Treasury of the United States with the principal banking clearing house in the country, and relieves the United States Treasury from taking all the risks and being subject to all the losses that are involved in the clearing-house business of the country, which risk it carried from the resumption of specie payments in 1879 to about the middle of 1891, at an expense to the people, incurred in taxation, of about \$12,000,000 a year.

The Hill-Fowler bill contemplates the continued use of the New York clearing-house certificates, which are sure to prove at some time a most dangerous and unsatisfactory emergency currency, as compared with legal-tender currency, to all excepting the banks which compose it. Banks in other parts of the country have already been brought into very great peril by their use.

Under the Walker bill United States legal-tender notes are the emergency currency issued to allay panics. Their advantage over "bank currency," as emergency money, is incalculable.

The allowing the use of "national reserve notes" in redemption is only nominal. Each bank stands alone to redeem in gold its notes. Assuming that country banks will take out 60 per cent of currency to capital, it works out in this way:

The reserve city banks keeping 50 per cent of this required cash reserve in gold and on notes will keep in gold.....	\$119,282,035
Country banks, 50 per cent of cash in gold .....	27,466,179
Country banks, on \$267,913,749 bank notes, 5 per cent in gold .....	13,395,687
<hr/>	
Total of .....	160,143,901

As currency and deposits are identical, this is equivalent to requiring 51.2 per cent of cash reserve in city banks to be in gold and an equivalent of 74.3 per cent of the cash in the country banks to be in gold. The \$13,395,687 fund to be kept in the United States Treasury.

#### HILL-FOWLER BILL FAVORS CITY BANKS.

The city banks will escape all responsibility for maintaining "parity," for they will take out no currency. They will keep the "national reserve notes" they are required to take in their "cash reserve," changing them with each other for that purpose, the national reserve notes required in the central reserve cities being only 12 per cent to their cash reserve, in all other reserve cities only 53 per cent to their cash reserve. Not a dollar of their notes will ever be presented to the "gold current redemption fund" to draw out one dollar of gold.

On the other hand, the national reserve notes country banks are required to take, being 182.6 per cent to their cash reserve, and the amount of bonds they are required to take for "national bank notes," will make 335.2 per cent to their cash reserve, they can use only 14.3 per cent of these notes in their cash reserve. They will therefore be compelled to "pay out" all the balance, the whole equaling about \$158,000,000, besides the \$100,000,000 bank notes.

Under the old Suffolk system the total currency used averaged to be redeemed five times a year.

#### CURRENCY FLOWS TO COMMERCIAL CENTERS.

All currency flows to the commercial centers, to be returned to the country banks through "current redemption." The bill compels every dollar of this \$158,000,000 each time it is presented for redemption to be paid in gold. It puts the gold redemption fund outside of banks and into the United States subtreasury. This is done to make sure that the mandate of the law compelling actual gold redemption is obeyed. The actual gold or gold drafts must be used in redeeming it.

Five times a year on \$158,000,000 makes about \$70,000,000 of gold a month used in redemption and constantly flowing from country banks into city banks; \$800,000,000 each year if only \$158,000,000 of national-bank currency and national-reserve currency is used.

How do you like this bill, wholly in the interest of the city banks? Will a bank ever be organized under it?

Where are the country banks to get their gold? Out of the United States Treasury! How is the Treasury to get this gold? Of course the city banks will kindly hand it over to the Government in pleasant times, when everything is balmy. How when it storms? How about

1893? How about another Cleveland-Carlisle administration? It is as sure to come as history is to repeat itself. Sell bonds, of course! Sell \$163,000,000 bonds at a loss of \$40,000,000, as Cleveland did, or \$1,000,000,000, and just as many as unscrupulous banks or foreign brokers may determine.

The Hill-Fowler bill leaves the United States Treasury absolutely unprotected, the sport of the most unscrupulous money changers and gold brokers that can be found anywhere in the world.

A cablegram costs but little. The door of the United States Treasury opens, for the delivery of gold, into every European broker's office—Israelite or Christian.

#### PROBLEM OF SILVER REDEMPTION.

But one of the most remarkable hallucinations developed in the bill is the belief that with \$500,000,000 silver in circulation, averaging to pass through banks in deposits from traders five times a year, or \$200,000,000 a month, the people will pay the traders in certificates or in coin. If the banks can not get them to present to the United States Treasury for gold, all existing banking customs must be reversed. Remember, the bill demonetizes silver dollars and provides for their gold redemption at the Treasury. It provides only \$25,000,000 gold, and that the Treasury must keep good, to redeem in gold all silver presented to it. The only way the country bank can get the gold to make the compulsory gold redemption of the circulating notes is to get it out of the United States Treasury or beg it of the city banks. Problem: With \$25,000,000 gold stock in the Treasury to redeem \$200,000,000 a month of silver, how many bonds must the Treasury sell per month to do it? Or, how much gold must it buy directly or indirectly of the banks? Or, how will it run the New York clearing house as an adjunct to the United States Treasury? How long will Andrew Jackson lie quietly in his grave, or who cares whether he lies quietly or uneasily?

#### ASSUMING UNITED STATES NOTES.

Under the Walker bill not one of the present unjust or objectionable banking or Treasury conditions will remain. The city bank will have to assume the current redemption of United States legal-tender notes equal to 12½ per cent of its actual capital, and the strictly country bank, just formed, 12½ per cent of them to actual capital.

The central reserve city bank will not be let off with buying 2.4 per cent to its actual capital of bonds and 12.8 per cent of national reserve notes, and the new country bank have to buy 25 per cent of both, as in the Hill-Fowler bill, and the other central reserve cities only 5.5 per cent of bonds and also of 16.5 per cent of national reserve notes to new banks 25 per cent of both bonds and notes. It requires no bonds whatever, and serves every bank alike.

The Hill-Fowler bill provides for the disposition of only \$157,872,000 United States notes by banks. It only requires the taking of them by national banks. It holds out not the slightest inducement for banks to assume one dollar of them more than the law compels them to take.

The Walker bill requires all commercial banks, national and State, to assume an amount equal to 12½ per cent of their actual capital, which would dispose of \$168,071,000. From paying out the Treasury gold \$146,000,000 would be disposed of. The losses are estimated at \$12,000,000, leaving a balance of only \$20,000,000 for banks to assume.

The Walker bill allows banks to issue currency against their assets at once for every dollar of United States notes they assume. This inducement is so great, that among the six thousand State and national banks and new banks there would be found enough to immediately take up many times this amount.

The Walker bill immediately adjusts the holding of United States notes among all banks, so that any bank having an excess will be relieved of the excess immediately—as soon as any bank is in the system.

The Hill-Fowler bill provides no protection to the specie of any single bank. Any excitement in its neighborhood is liable to wreck the most solvent isolated single bank.

Under the Walker bill, the gold of all the banks is massed to defend the gold of each individual bank, by the combination of all banks, so that no "run" could possibly be made on any one bank, and all the banks combined are too strong to meddle with.

#### HILL-FOWLER BILL UNFAIR TO COUNTRY BANKS.

The unfairness of the Hill-Fowler bill as between city banks and country banks is further illustrated by the percentage of bonds to their actual capital each is required to buy. The bill is carefully drawn in the interest of banks that are interested in speculation in bonds as much as it is in the interest of banks faithfully serving their business customers.

It requires of the central reserve city banks, as a license fee to do a banking business, the buying of United States bonds to the amount of 2.4 per cent of their actual capital. Newly formed banks must buy bonds to the amount of 25 per cent of their capital. Other reserve cities the amount of 5.5 per cent of their actual capital, against 25 per cent of capital of banks newly formed.

This bill would not have gotten out of the committee if it had not been so drawn as to meet the wishes of those who were determined that no bill should be reported that did not first of all protect this bond privilege to banks, and this to the sacrifice of the legitimate commercial bank, and of the advantages of a true bank currency.

Banks that bought bonds at 80 to 90 cents on the dollar of their value in prosperous times must have preserved to them the privilege of taking out currency on the bonds while waiting for the 10 to 20 per cent profit, that they may loan the currency they take on these bonds to country districts that are prohibited from having their own banking funds by the national law. And this to add to the profits of banks in speculating in bonds or still more to favor banks in localities which have an excess of banking funds for commercial uses and are investing them in bonds.

#### BRANCH BANKS.

The Hill-Fowler bill authorization of branch banks is very bad economics as compared with encouraging the local independent bank, and still worse statesmanship.

It finds no justification in the policy of our free banking system or in any amendment of it proposed in this bill.

It is unwise to permit powerful city banks to establish branches in places of 4,000 inhabitants or less. The putting its local agent in a place with no interest in it other than the money he can make out of it for his nonresident employer, means that no independent local bank,

managed by its citizens, can be established in the town, and if one is there it must go out of business.

In nine cases out of ten local banks in towns are formed by public spirited citizens to get a fair return on the capital they put in the bank, but still more to build up the town, by assisting other citizens to capital with which to do their business.

The agent of the city bank may for a time loan money, in "good times," at rates to drive out the country bank, and in times of stringency the funds with this country agent will be sure to be immediately returned to support the city bank. The customers of the country agency will be sacrificed to the necessities of the parent bank.

Generally there are two stores in a town. In times of excitement each is the headquarters of one political party. The agent of the parent bank knows the politics of his city employer, and again the bestowal of his favors is liable to be influenced by his own politics.

But our choice must be made between one great "United States Bank" with ten thousand branches, and on the other hand ten thousand independent local banks, united together, that all in union may support each, and thus all together make each secure in times of stringency or in threatened or actual panic, as in the Walker bill.

There is no possible relief of the Treasury condition or any other way of saving to the people a loss now made of \$50,000,000 to \$60,000,000 annually in excessive interest charges. It can not be done by the isolated banks of the Hill-Fowler bill.

#### INDEPENDENT LOCAL BANKS.

Under the Walker bill independent banks will be formed in every considerable town by its leading citizens and in the immediate future.

Each bank will necessarily have in its direction the two storekeepers. It will necessarily have Republicans, Democrats, and Populists in its management. There are not enough men in either party alone so situated as to maintain the bank.

The four chief agents in civilization are the home, the church, the school, and the bank. To-day every man, rich or restricted in his means—merchant, manufacturer, farmer, or what not—must at times have more or less assistance with money borrowed of banks, or suffer great loss in lower prices for his products or shrinkage of value of his property. Millions are thus lost every year by farmers and others in the United States because banks can not live in country districts under the law as it now is.

But still more the bank is the greatest instrument of substantial progress, in helping forward wise schemes and advising against the unwise.

It is in the directors' room of the country bank that talk never ceases as to how the progress of a town can be secured, property be made to increase in value, and a greater home market for the products of the farm secured; better and cheaper freight rates, better markets everywhere for the home, shop, and factory; better county roads; a gas plant; better country and town buildings; better schoolhouses, better church edifices, better everything. When five or more reputable citizens of a town get their capital together to form a bank, it means that the town must take on new life and every citizen of the town will be more enterprising and successful.

In the bank not only all theories of coinage, paper money, credit, and business methods are discussed by the directors and officers of the

bank, but by every business man and farmer in the neighborhood—by every man who goes into the bank—not only discussed, but tested in practice.

The Walker bill conserves and magnifies all these forces for good in encouraging the formation of local banks. As compared with the good done by an independent country bank, with its immeasurable progressive influences for good, what can the single excellent individual and honest money lender do, who is sent into the town by the city bank?

A bank established in a town serves the whole body of towns adjoining, and would reduce prices on goods to the farmers very considerably. It is said goods are uniformly sold at retail, where cash is paid, from 5 to 10 per cent less than where payments are made only once or twice a year. The country merchant is now the farmer's banker, at a cost to the farmer in increased prices on all the farmer buys of from 5 to 10 per cent over what the prices would be were there a bank in his neighborhood. He could borrow money of the bank on his own note, which he could pay at the dates at which his hogs, or horses, cattle, wheat, corn, oats, rye, flax, or cotton, etc., were ready for market.

#### CLEARING HOUSES.

The Hill-Fowler bill undertakes the impossible in laying obligations on clearing houses having no legal existence.

Under the Walker bill every clearing house in the country is made a body corporate to deal with under the law and brought into the system, and every commercial bank as well.

The Hill-Fowler bill needlessly antagonizes, in very many of its provisions, nearly every notion, opinion, economic and political, and the experience of our 70,000,000 of people.

#### WALKER BILL OFFENDS NO PREJUDICES.

The Walker bill takes cognizance of every notion, opinion, prejudice, etc., of gold men, silver men, greenbackers, Government sub-treasury men, and Government currency 2 per cent loan men. Not one of them can consistently vote against the Walker bill. Every one of them claims to desire that all paper money and coin money shall be kept at a parity, which the Walker bill provides for doing.

The Hill-Fowler bill, with its restrictive features, and annulling their charters at the end of a year, could have only one outcome to all national banks, viz., to drive every one of them out of the national system and into reorganizing under State laws, or drive them out of business.

The Walker bill, on the other hand, leaves banks far more freedom than now to safely conduct their business under it and brings every "commercial bank" into the national system and makes the position of every one of them absolutely secure in any event, excepting in making unsafe loans and from dishonesty among its officers.

#### **SOUTH AND WEST WOULD DEVELOP BANKING UNDER WALKER BILL.**

Bank funds are now so abundant in the New England, the Eastern, and Middle States that they can not find employment in strictly commercial business. A large proportion of them are now invested in United States and other bonds. One hundred million dollars and more, because of their abundance, are now loaned in Europe on call. Pass the Walker bill and allow the Southern, Western, and Pacific States to

fully develop their banking and currency interests under the only law yet proposed that makes it possible to them to do so, and interest rates on loans made, on the same security, to the same amount, and on the same time, would be very nearly as low all over the country as in cities, and lower than in any European country, not excepting Great Britain. Europe could not keep gold unless her interest rates were as high or higher than ours.

If, besides, a banking committee of the House could be appointed with sufficient wit to report and secure the passage of the international American bank bill, within a comparatively brief time the money center will be moved from London to New York or Chicago.

#### HILL-FOWLER BILL NOT DRAWN ON ECONOMIC PRINCIPLES.

Finally, the Hill-Fowler bill, like the existing national banking law, is not drawn on any recognized principles of economics and sound banking principles. Its requirements, prohibitions, and penalties are not justified by experience.

The Walker bill is drawn in accord with true economic law and sound banking principles, and every requirement, prohibition, and penalty is justified by the testing of every line of it by the experience of the good and bad State banks for years previous to 1862, by the experience of our national system for thirty years, and by the experience of France, Germany, Great Britain, etc.

If anyone will point out an excellence in the banking laws of any country not included in it, or a provision in it not consistent with experience and the very best results of financial and banking experience of the world, when it is shown the bill will then be corrected accordingly, or abandoned. I only remark that one bank, with all other branches, or all banks as integral parts of one whole, are only admissible.

If any performance fell so far short of the announcement of the play on the bill boards as the various bills referred to the Committee on Banking and Currency, or prepared by some members of it, have of the commendations of them sent broadcast over the country by the Monetary Commission, the audience would do as much credit to their sense of justice as they would discredit to their patience, by mobbing the performers.

#### RECAPITULATION.

The Hill-Fowler bill does none of the following things, the doing of which is made certain by the Walker bill:

1. The Walker bill makes sure the maintenance of parity between all forms of our existing money by the banks.
2. Retains the actual use of gold and silver money by retiring all silver certificates and all gold certificates.
3. Does not impound, retire, or change the existing United States legal-tender notes.
4. It provides for only one kind of paper money, viz, a national-bank bill as securely guaranteed by the Government as the present national-bank notes.
5. It relieves our hazardous situation in case of panic or reverses in war.
6. It reduces interest rates on loans by country banks from one-third to one-half.

7. It absolutely and forever relieves the United States Treasury of the current redemption of any form of paper money by putting it on banks.

8. It does not pile up vast sums of money in the Treasury to create discontent among the people.

9. It furnishes no needless opportunity or encouragement to the hoarding of gold.

10. It furnishes a currency the hoarding or destroying of which makes lower the rate of interest by banks and helps the United States Treasury.

11. It gives every dollar of currency as explicit and available a Government guarantee as now.

12. It unites all banks of the country in an organization to guarantee the parity of all United States notes, silver coin, gold coin, and national-bank notes, as solid and secure as the Bank of France, and more so than the banks of any other nation excepting France.

13. It builds up this fabric by units as separate, distinct, and independent as is the citizen in a town who, acting together with his fellows, makes a body politic.

14. It thus takes careful cognizance of every phase of political and economic thought among the people.

The Hill-Fowler bill takes no cognizance of the political situation, and needlessly offends the great mass of the voters.

Bryan's vote, 6,500,000; McKinley, 7,000,000.

Bryan 2,000,000 crazy for silver.

2,000,000 frenzied by the present banking and currency situation and care nothing for free coinage of silver.

2,500,000 care nothing as to what principles the Democratic platform preaches or for silver. They are for the "machine."

6,500,000

1,000,000 Republicans are earnestly for the unlimited coinage of silver, but are more for what the Republican party represents in other things than for silver.

6,000,000 voters are more or less suspicious or opposed to national banks, and almost wholly on account of the use of United States bonds by banks to get currency notes on.

15. The margin of  $3\frac{1}{2}$  per cent of sound-money voters is dangerously small. We must win from those among the people who want a better currency system enough votes to make sound money safe, and must also keep the 1,000,000 Silver Republican voters for maintaining parity.

16. How can we do it?

Not by telling the people that we have changed the paper money they will hereafter carry in their pockets into bills *not guaranteed by the Government as the Hill-Fowler bill does*. Not by giving the people anything any less *secure* than they now have. But that in changing the paper money and leaving out the bonds we have *kept the Government guarantee*.

17. Neither can we tell the people when we meet them face to face in their primary meetings that we have given them two kinds of paper money—one they can never lose a dollar on, however poor the bank issuing it may be, for the Government is behind it; and another that

they must look to the bank only to pay in case of insolvency. As a party measure, such a statement would be *worse than to do nothing*.

18. We had better stop here and now, and carefully examine our position as to all the bills before us, Fowler bill, Gage bill, McClary bill, Hill-Fowler bill, commission bill, Walker bill.

The first section of my bill involves this question of what currency we shall provide.

What inducements, what reason, can we give for the change from what now is?

What are the charges made against national banks?

National banks, \$100,000 capital. (1) Banks buy \$100,000 of bonds, on which they get 4 and 5 per cent interest. Then they (2) take them to the Government Treasury and get \$90,000 currency for the bonds, and loan the currency, getting (3) from 4 to 10 per cent interest on this currency.

Interest on the bonds averages  $4\frac{1}{2} + 4 = 8$  per cent. }  
 $4\frac{1}{2} + 6 = 10\frac{1}{2}$  per cent. } gotten by banks.  
 $4\frac{1}{2} + 8 = 12\frac{1}{2}$  per cent. }

The usual reply:

(1) Every dollar of currency is secured by the pledge of a United States bond in the Treasury of the United States.

(2) You can not have a safe currency unless its payment is made sure by the guarantee of the United States.

(3) No holder of a currency note has ever lost a dollar on a note of an insolvent bank since we had national-bank notes. Unlike the old State banks.

(4) We have the best banking system in the world, because our currency notes have absolute security in the guarantee of the United States.

Rejoinder:

(1) Secured currency. What good does that do us? It may be secured, but we have no currency in our part of the country, and can not get it.

(2) We can not borrow it at any price.

(3) We have plenty of property—hogs, horses, cattle, sheep, hay, oats, corn, wheat, but no money.

(4) We want, and will have, more money.

(5) What good is it to us that currency is absolutely safe to the holder if we can not get any to "hold!"

Reply:

(1) Money is plenty. There never was so much money.

(2) The Treasury reports show double the money now for each man, woman, and child that there was before the war or after the war closed.

(3) Anyone who has anything to sell can get money enough.

(4) Anyone can borrow money that has anything to borrow it on.

Rejoinder:

(1) I know money is *not* plenty. I do not care what the Treasury or any other "reports show."

(2) We are determined to have more money.

(3) We never had any more things to sell, nor more of them, than now.

(4) But we have to sell them immediately when they mature.

(5) We can not borrow any money to hold them until we can get fair prices.

(6) We sell them, and when the speculators have skinned us of all we have raised at *low prices* we hear that prices have gone up 5, 10, 15, or 20 per cent.

(7) We will try the unlimited coinage of silver if we can not get anything else.

Reply:

(1) Unlimited coinage of silver will do you no good. How are you going to get the silver after it is coined?

(2) The Government can only get it out by paying it out.

(3) You can not get it unless you work for it or sell something for it which you have worked to raise, etc.

(4) A 50-cent dollar can not help you.

(5) Even that will not be given you, etc.

Rejoinder:

Yes; I know that; but I can not be any worse off. The bankers and their friends and neighbors get all the money they want. I can borrow no money when I have as much property in hogs that will be marketed in three or four months. My wheat, corn, oats, barley, horses, beef, etc., are as good as any man's property. I can not be any worse off, and I will try unlimited coinage of silver anyway, and take the chances.

This is not argument or reason, but it is exactly the condition of mind 6,500,000 voters are in, or worse.

Reply:

#### WHAT CAN BE SAID ON THE STUMP—

We are called gold bugs, gold-standard men, etc., etc. We are not single gold-standard men, if you mean by that that we have changed. We are now where we have been since the Government was born—for having the best money in the world; and will keep each form of our money—paper, silver, and gold—at a parity with every other.

#### HOW THE WALKER BILL HELPS THE PEOPLE.

People ought to get paper money for the asking, if they will keep it as good money as the world ever saw, and not other ways.

(1) Any of you five men can get together \$25,000, which is as little capital as can be made to pay expenses in a bank and make it safe, and can go to the United States Government and get \$25,000 of notes, paying only the cost of printing. Then the five men can make the \$25,000 of notes they get their own notes by having the president and cashier sign them. Then these five men can circulate them as money. But you say that is the way they used to do before the war, and we do not like that kind of money.

(2) Yes; but the Government did not guarantee that money, and it does this money. The money I am talking of is guaranteed by the United States just as surely as it is now. It is exactly the same money as we now have. It has the Government guarantee, as we have always told you it must have, in order to be good money. The only difference is this:

Now, the Government issues its bond, sells it to the bank, and the bank puts it back in the hands of the Government that made the bond, takes notes for it, goes home, and makes those notes its own, exactly as under our law, by signing them by the president and cashier of the bank, and uses them as money as now. But now the Government takes the capital

of the banks so the people can not borrow it, but pays the bank 4 or 5 per cent interest on the bonds, and the bank also gets interest on the bank-note money it got on the bond. Under our law the Government pays the bank nothing. The Government makes the notes we have provided you precisely the same money as to securities as the present notes, in case the bank fails, by writing in the statutes that every one of the notes shall be immediately paid out of the United States Treasury if the bank fails; and the Government shall then take all the property of the bank to pay itself with the property of the bank, and, besides that, it makes all the banks pay a tax on all these notes all the time, and enough to make up any loss it could possibly make in paying these notes, and several times as much as any loss could be.

(3) What, then, have we done?

A. We have given you a paper money as much guaranteed and made secure by the Government in case the bank fails as now—the same as it has always been.

B. The people have always complained that the banks got interest paid to them twice, once by the Government on the bonds put up and then by the borrower. We have stopped the Government interest to banks on the bonds by taking out of the law the right of only the bondholder, as you have said. You have always said "a man must become a bondholder to get paper money." Our law allows any five reputable citizens to get it without having to first buy bonds and then put up its \$25,000 capital in the bonds as a guaranty to keep their bank notes as good as our greenbacks.

C. We have done more. We have put upon the banks the duty of keeping all our money—greenbacks, silver dollars, gold dollars, and bank notes—each and all as good as the best money in the world by keeping all at a parity.

Every greenbacker says that must be done.

Every man favoring unlimited coinage of silver says that must be done.

Every bank man says that must be done.

Our law does exactly what all classes of people say they want done.

D. It cost the United States Treasury from \$12,000,000 to \$20,000,000 a year to keep our money at par, which is taken out of you by taxation, in the last twenty years. We have stopped all that, besides the hundreds of millions in indirect taxation. It has been cheap at its cost, rather than not have it done by anyone; but now the banks must do it in future, as banks do in all other countries, and at no cost to you, or cost to them, as to that matter.

E. We have also required in the bill that when a bank note gets into New York, Chicago, or any other city it shall be sent home, to be loaned there. They can not pile notes up in New York by the hundred million under our bill, as they do now.

F. As any five of you can get together and form a bank, with the money to put up in order to make the bank notes you get secure and not be obliged to use up your capital in first buying bonds, money can not be "cornered" or excessive interest charges be made on it by banks.

G. Under our law you can borrow such money nearly one-third (certainly one-fourth) less than the interest now is on our present bond money, for the reason that bond money uses up the capital you put up in buying the bonds.

H. Under our bill the people have the \$25,000 capital to borrow, and

\$25,000 bills also, as they do in Canada, Scotland, France, Germany, and every other country, and can therefore loan money as cheap here as in Europe.

Remember, in all this talk and in no talk ever made was the mind of a single one of the average voters, making three fourths of our voters, ever cleared up on the proposition that the banker did not get 4 to 5 per cent on his bonds, and 4, 6, 8, or 10 per cent interest in addition on the currency paid out by the banks.

That belief remains; and that belief and the further fact that there is now no bank in many considerable centers of business throughout many sections of the country to make the people loans at reasonable rates of interest, and, still more, educating a body of citizens connected with banks to post up the citizens on the real facts, and thus steady public opinion with their knowledge and experience, has done more to prepare the minds of the people to receive the seed of the error of unlimited coinage of silver by our country, without the help of other countries, than its adherents have done to propagate that error.

The only conceivable cure of it is in setting a back fire in increased free but sound bank currency.

The people have a moral right to this free and "true bank currency," such as the people in every other country have, such as is provided in the Walker bill, H. R. 10333.

Not one of these statements can be truthfully made of the Hill-Fowler bill.

#### BANK OF ENGLAND.

In addition to what has been already said in objection to grafting on to our bad banking system the one bad feature of the otherwise most excellent Bank of England system, I wish to say that the belief of some sincere friends of reform—that we can correct admitted evils by a system of Treasury bookkeeping, as in the Bank of England, while \$1,000,000,000 to \$1,200,000,000 still remain as demands for gold on the United States Treasury—is the most fatuous of all.

The Bank of England system of issuing currency could by no stretch of the imagination be thought by sound financiers to have any chance of adoption in England to-day were it an original proposition.

If the Bank of England system was not urged on us ex cathedra, no one would think of adopting it.

Nearly the whole body of European financiers, and English as well, believe the restriction of its note issue to be the one defect in the Bank of England system, with reference to the pretended greater security given to the business and commerce of Great Britain in preventing or allaying panics by its method of issuing currency, over and above the method pursued by the Bank of France, the Bank of Germany, or in New England under the Suffolk system, from 1840 to 1864, which latter I believe to have excelled all others, excepting the Scotch. No one believes in it, and yet it is proposed to foist the semblance of this system, but in a far more objectionable form on our present chaotic system, or rather want of system. The claim that the internal arrangements of the Bank of England required by law, as to keeping its accounts and its gold (for that is the sum and substance of the whole controversy), gives any greater security to the creditors of the bank and to the business interests of Great Britain, or makes its currency any more secure than are the currency notes of the institutions named, is wholly

unfounded. The highest, and, in fact, the only substantial approval in finance is imitation, and the Bank of England system has been unanimously condemned in not being adopted by a single bank in the world during the fifty-three years of its existence. The Bank of England is, first of all, the commercial, and still more the gold, clearing house of the world, rather than a bank proper. That it is managed with consummate ability, by "giants in the land," is not disputed, but its success is believed by nearly the whole body of the practical financiers in Europe to be not because of, but in spite of, its system of issuing currency. Its position is unique.

It is proposed in the Hill-Fowler bill to go further even than the Bank of England in making our legal-tender notes purely gold certificates.

The Bank of England notes are not gold certificates in form or substance, as distinguished from the notes of the Bank of Germany or the Bank of France.

The issue department of the Bank of England held gold to the amount of only 66 per cent of the currency it had outstanding on December 9, 1896, as shown by the Bankers' Magazine, London, England. It is therein reported that in 1847 the bank held gold to 48.84 per cent of its notes in circulation, 48.75 per cent in 1856. In 1857 it held gold to 41.23 per cent. In 1860 it held 65.21 per cent, on October 3, 1889, 73.37 per cent, etc., etc. To its total gold liabilities a comparatively small per cent, while not only English merchants, but the commerce of the world, looks to the \$150,000,000, more or less, gold in the Bank of England for gold exchange.

The Bank of England law gives no preference to its obligation in the form of a Bank of England note over any other form of its total obligations of \$450,000,000 in the requirement that it shall pay gold on every demand.

The provision of law requiring the bank to maintain two departments, one of issue and another of discount, is purely a matter of book-keeping, in that the same men are one and the same corporate person, managing its issue department and also its discount department, and invariably with the two departments as one corporate person does every customer deal. That is to say, the law recognizes only one corporate person in the Bank of England. This is incontestably true. The law simply defines how this person shall act. How, then, can it be said that each department has an autonomy of its own, or increases its ability to maintain gold payments, or that its security is increased or diminished by legal restrictions on its freedom of action in an emergency? In fact, in every crucial emergency this restriction has been suspended.

It is impossible by a law, in provisions applying wholly to the manner in which a corporate person shall manage its internal affairs, and making parties of the second part in no way responsible for its doings, to change or modify or give preference in securing gold to one obligation over any other obligation assumed by such corporation, when it is prescribed in the law that every obligation (of the Bank of England) is identical in this, viz, that they are each and all payable in gold on demand.

The testimony before the Committee on Banking and Currency was that the Government is responsible for maintaining parity in all forms of our money, keeping each at a parity with the other, directly or indi-

rectly, each dollar of it on a par with the other in demanding gold. The least reflection will convince anyone that, in the nature of the case, this must be true.

Finally, the Bank of England was prohibited from giving any preference to one of its creditors who held one of its obligations in the form of a Bank of England note over a creditor who had one of its checks, drafts, bills of exchange, or only a deposit in the bank subject to check. That we may understand the situation, I give its exhibit for December 9, 1896, in dollars, and in the form used by national banks:

#### ASSETS.

Government debt .....	\$53,604,984
Government securities .....	66,928,823
Other securities .....	157,353,785
Loans and discounts .....	117,805,579
Gold coin and bullion .....	161,945,829
Silver and gold coin .....	11,729,881
Total .....	569,368,881

#### LIABILITIES.

Proprietors' capital .....	70,822,174
Surplus and undivided profit .....	15,350,863
Public deposits .....	32,113,216
Other deposits .....	206,686,615
Seven days' and other bills .....	692,984
Currency notes .....	243,703,029
Total .....	569,368,881
Liabilities to the Government .....	118,286,253
Liabilities to individuals .....	451,082,628

As not a dollar of this \$570,000,000 has the slightest preference over any other dollar, from the Bank of England notes to deposits of individuals, in being payable in gold or having the right to demand gold, how can anyone conceive that a rigid bank regulation or inexorable statute law in restriction of the freedom of the bank as to the mechanism of keeping its gold or issuing its currency or paying out its currency as unforeseen emergencies arise can be any other than a promoter and intensifier of panics rather than a source of stability and confidence in the ever-expanding and contracting demand for currency and the complex and ever-varying and unknowable banking gold conditions?

Shall this country, in the Hill-Fowler bill or at the request of any man or body of men, because of their eminent respectability and ardent patriotism, make our treasury condition ten-fold worse than it now is by adopting the currency system of the Bank of England, when, as I have said, it has received the most severe and unanimous condemnation in the practice of all the other banks of the whole world for the fifty-three years of its existence? The greatest, in fact the only, competent or tangible evidence of approval of any financial device is its adoption by those who approve it. Every bank in every country has in practice condemned the Bank of England machinery for keeping and paying out its gold and issuing its currency by refusing to adopt its system.

Furthermore, the whole body of the world's practical financiers, with few exceptions, condemn it in words, as they all do in practice. It is not abandoned by the Bank of England from the fact that the warp and woof, the success of moderate banking, is based on "confidence," and when confidence exists, rightly or wrongly, bankers are not warranted in disturbing the public mind by a change, however desirable in itself the change may be. The only justification for action here, bad as is our system, is that the people having come to a knowledge of the perils of our financial position, confidence is destroyed and immediate reform is demanded on every hand. I could fill a hundred pages with adverse criticism of the Bank of England system from the leading financial writers of the world, but as I am appealing to the great jury that must finally decide this question, *viz.*, the plain people, I use my limited space in quoting the final verdict of those most competent to form right opinions, from authorities the people can consult, which are crystallized in encyclopedias.

The Encyclopedia Britannica is content to give definitions and state facts as to subjects in other cases, but in that of the Bank of England it confesses judgment through page after page of special pleadings that command the respect of but few financiers, and disputes its own facts.

It confesses that:

"It must be admitted that the variations in the rate of discount charged by the bank have been much more numerous and violent since 1844 than they were before, and on these occasions it has been judged necessary to authorize the suspension of the act so far as to allow the bank directors the power to strengthen the banking department by recourse to the reserves in the issue department. In each case the suspension of the act arrested and allayed the panic prevailing up to the moment of suspension, and in 1866 it was not, in fact, found necessary to exercise the power to borrow from the issue department, which had been conceded to the directors."

What is meant by the "suspension of the act" is the deliberate violation of the plain letter and spirit of the law of the land "by the action of the executive government (of the bank) acting on the faith of a subsequent indemnity by Parliament."

And this is the system of banking laws recommended to this country, badly as it serves the greatest bank in the world. On our Public Treasury, without a shred of banking business or banking powers to mitigate and hide its defects, this travesty of the true banking and true and safe currency principle and safe bank and currency practice is to be saddled with this excrescence.

Again it says:

"Again, it may be freely admitted that it is not improbable that changes (crises) have from time to time happened that might not have occurred supposing the separation of the banking and issue departments had not been established. \* \* \* The repeated suspensions of the act of 1844 in time of trial do, *prima facie*, present a much stronger argument for the repeal of the statute. Legislation which breaks down upon critical (crucial) occasions discredits the legislature that decreed it. Sir Robert Peel, in common with the earlier advocates of the policy of the act (separate departments), believed that it would prevent the recurrence of commercial crises, etc."

The statement by it of the fundamental principles governing the issue of currency laid down by the article and accepted by all writers

on finance confounds it in every word of its defense of the abnormal provisions of the Bank of England act of 1844 as to its issuing currency, viz:

"No inference can be safely drawn from the number (amount) of notes or coins, or both, afloat in the country as to whether its currency be or be not in excess. That is to be learned by the state of the exchange, as by the influx and efflux of bullion. If the imports of bullion exceed the exports, it seems that the currency is in some degree deficient, while if the exports exceed the imports it shows that the currency is in excess, and that no additions can be made to it without further depressing the exchange and increasing the drain of bullion. When the imports and exports of bullion are about equal, then, of course, the currency is at about its par level. These are the only criteria by which anything can ever be correctly inferred in regard to the deficiency or excess of currency. Its absolute amount affords hardly even a basis for conjecture. Excepting in periods of internal commotion, or when we are disturbed by alarms of invasion, the state of the exchange is the only, as it is the infallible, test 'of the sufficiency or insufficiency of the currency.'"

If there is any one thing more than another that will establish in the mind of the banker a fear that begets a crisis and panic or that will intensify them, it is that he can not change the form of his obligations and that his fellow-bankers will not come to his assistance in case of unusual demands being made upon him in "rediscounting [his] bills that had been already discounted by him." See how the Bank of England is made to appear, whatever the facts may be, to play the Ishmaelite and intensify, if it is not a potent agent, in inaugurating crises, in a further significant quotation, viz:

"Strict limitation in the number and class of customers with whom the bank would do business and a refusal to rediscount bills that had already been discounted by money lenders, make it possible to keep the bank rate below the rates of the open market without exposing the resources of the bank to an exhaustive demand." [And a government treasury has none of these devices or resources to assist it.]

Financiers further declare that the Sir Robert Peel scheme for making hard and fast lines for banks in their issue of currency was adopted because of his utter failure to appreciate the fact that the only legitimate and certain repressive device was to compel banks to certainly and instantly redeem their currency in specie in some commercial center, as well as at their own counters. Where proper redemption is required, overissue of currency has never, anywhere, in the history of banking, had any perceptible influence in inciting or intensifying a financial crisis. Note the history of the Suffolk system, as also that of Virginia and Louisiana from 1840 to 1864. A very wide latitude in issuing currency was allowed banks, even up to their actual paid-up capital, and in some States to double their capital.

It is not the holders of currency that begin an unreasoning demand for specie from banks or from the United States Treasury. There is not an instance of panic or even monetary stringency being inaugurated by holders of currency, or a general demand for specie by holders of currency, until long after depositors were in panic and had done the mischief which reacted on the Treasury. It can not be shown that any normal bank has ever failed from the excessive issue of currency. The insolvency of banks is caused by the excessive or unwise extension of

loans, of which the issue of currency may bear an insignificant part, and our National Treasury to-day is the guarantor of every bank in the country, national or State, in its maintaining the gold standard. No contradiction of this statement is found in the fact that dishonest persons sometimes established or got possession of a State bank, stole its funds, or debauched its currency, as such persons have wrecked national banks.

On the other hand, the free issue of currency, and in amounts that would not have been justified in normal conditions, has prevented or allayed many a threatened or incipient panic, especially by the Bank of England, and in violation of law. Had our banks the right, and had they freely exercised it, in 1893, to issue currency up to their paid-up capital, bad as were other financial conditions, it would have prevented or safely and immediately relieved that panic. It was a currency famine caused by hoarding currency quite as much as of gold hoarding.

Banking is a contest from start to finish, in a pressure for credits by the borrower, supported by a desire for profits on the loans by the banker, on the one side, and a demand, on the other side, of payment and larger security by the banker. It finds its duplicate in the bulls and bears of the stock exchange. Bankers must have their every available asset at command to meet any and every demand, and to use at their absolute discretion at all times, as well as in crises, in order to prevent or to curb crises.

The Bank of England act of 1844 was passed to take away this absolutely necessary discretionary power. I quote from the American Encyclopedia:

"An examination of the operations of the bank (of England) demonstrates the fact that Sir Robert Peel entirely misapprehended the causes of the fluctuations complained of, and that he applied the restrictions to that particular branch which varied but little (amount of currency issued). \* \* \* The real cause of trouble was to be found in the loans (not in its currency). \* \* \* That this act (taking from the management their discretion in issuing currency) has had no effect in mitigating this crying evil will be clearly seen in the fact that these fluctuations have never been more violent than since its passage. \* \* \* In its efforts (on May 11, 1866) to save itself and comply with the absurd provisions of the bank act, it (the Bank of England) spread ruin and desolation around it, and years were necessary to enable the country (Great Britain) to recover from the effects of the panic thus (itself) created."

Those who think the currency restrictions upon the Bank of England meet the approval of the whole body of England's most experienced financiers are greatly mistaken. Scarcely one of them would not have a sense of great relief should he wake up any fine morning and find them swept away.

I am in no sense deprecating the beauty, strength, or wisdom of the "Old Lady of Threadneedle Street." I am only protesting that it does not lie in what all her true friends recognize as an ugly wart upon her nose, as Samson's did in his hair. The Hill-Fowler bill would transfer that wart to the nose of Uncle Sam and develop it into a malignant cancer, poisoning his life blood.

Under the Gladstone administration, "Mr. Low, as chancellor of the exchequer, introduced into the House of Commons in 1873 a bill providing \* \* \* that the act providing two departments might be

suspended by order of the Government upon certain conditions \* \* \* when the governor and deputy governor of the bank certified that panic had caused a portion of the bank notes nominally in circulation to be locked up and withdrawn from (actual) circulation. The authority of Mr. Gladstone's administration had declined when this bill was introduced \* \* \* and, assailed from many quarters, was withdrawn without the opinion of Parliament being taken on its merits. It was contended that Mr. Low's attempt \* \* \* to define beforehand the conditions of a panic was a logical contradiction. A panic has no laws; it has no fixed shape. It is precipitated we know not how, and we are in the midst of it before we are aware."

This amendment proposed by Mr. Low proclaims the fact "that in a stringency the people lock up the currency of the Bank of England, and that the law locks up its gold, and in its helplessness a crisis is thus actually precipitated and continued by the very provision of law avowedly enacted with the sole purpose of preventing or allaying crises such as are now created by it."

I repeat, the days of a run on a bank for specie, by presenting its currency for redemption, even in crises, are past, never to return, even under as liberal an issue of currency as was allowed by the old New England Suffolk system and that of Virginia and Louisiana (look at our experience in the currency famine and gold craze of 1893), always provided that every bank is compelled to redeem its currency in some "reserve city," as well as at its own counter, and also that the Government requires a very small safety-fund tax, to recoup itself for any loss from guaranteeing every dollar of currency issued by any bank, and keeps the same supervision and control as now of all banks issuing currency.

Of course, I shall be told of the suspension of specie payments by New England banks in 1857; but the fact is that they only nominally suspended specie payments at that time. Specie did not go to a premium, and all that was legitimately demanded of them by their customers in the way of their legitimate business was paid to them "on demand," and the banks soon recalled their nominal suspension. They continued to supply their customers with specie through that crisis, precisely as France and Germany now furnish gold to their customers. They kept their currency at par with specie precisely as the Bank of France and the Bank of Germany now sustain the silver and currency of those countries at par with gold. The State banks of New England, Virginia, Louisiana, etc., made a better showing from 1840 through 1857 and up to 1864 than the Bank of England did in the same period, during which period the restriction on issuing currency by the Bank of England was suspended several times.

Political and party rivalry, and that only, prevented the passage of the Low amendment by the British Parliament, and the safe removal of the hideous wart from the nose of the comely Old Lady of Threadneedle street, that looks so lovely to some, and that without leaving a scar.

Again, normally low rates of interest can not prevail where the true bank-note currency is not issued. This country has not seen a normally issued bank note since the State bank notes were taxed out of existence. It can be proven that the purchasing value of the wages or income of every man in this country is reduced by nearly one per centum per annum by our faulty banking, currency, and Treasury system.

I will quote only one more opinion on the issue of currency system of the Bank of England, but it is the final judgment of one of the most careful and experienced investigators and financial experts and writers in Europe. He expresses practically their unanimous opinion. Pierre des Essarts, chief of the bureau of economics and statistics of the Bank of France, author of the History of Banking in All the Leading Nations, etc., in an article published in the Journal of Commerce and Commercial Bulletin of New York, March 10, 1897 (which no one can afford not to read), says:

"The true bank note is unknown in the United States. The bank note should be simply a means of transforming a debt into cash. As between individuals the note is cash; but as between the issuing bank and the holder it is a credit instrument, because the note holder has loaned to the bank the coin he has a right to demand. \* \* \* When a bank of issue is properly managed, the circulation takes care of itself. \* \* \* These notes are sufficiently guaranteed if the property and securities against which they are issued (the assets of the bank) are valid and of sufficient value. \* \* \* England has adopted an automatic device for issuing currency notes which works well in ordinary times, but the insufficiency of which has often been demonstrated in critical times. We may note in addition that the bank's regulations for issuing currency notes, which are practically useless in normal situations, become futile or even dangerous when the bank is called upon for unusual exertions."

No man can suggest any substantial advantage in the division of the issue department from the discount department of the Bank of England over and above the law and practice of the Bank of Germany or the Bank of France or the New England Suffolk system as it existed before 1864, while its disadvantages are clearly stated by authorities beyond question. In fact, as I have said, in the Bank of England and nowhere else, excepting partially under our national bank act, is any approach to the English system in operation. It is patent to all that very nearly the universal opinion of European financiers is that the success of the Bank of England is in spite of—not because of—its thoroughly abnormal internal machinery for issuing currency and handling gold.

My excuse for this long paper is the strong effort that is being made not only to engraft upon our national banking system the currency system of the Bank of England, but to divert the United States Treasury, as Washington, Hamilton, and Gallatin made it, still further from its legitimate functions, and make it a huge bank, modelled upon what European financiers believe to be one of the absurdities of the English bank act of 1844.

Furthermore, the Bank of England is confessedly a monopoly, and its monopoly of currency the most excessive of its oppressive features. Our people demand all the freedom, the convenience, and the economy of the true bank-note currency of the old State banks, plus the security of national supervision and control of our national law, and also plus a small tax on currency to recoup the United States Treasury for its guarantee of every dollar of currency issued by the Government to the banks and put in circulation by them.

They have repeatedly refused to give up the United States legal-tender notes. They probably would consent that they be reduced to \$200,000,000 by paying \$146,000,000 of them with the gold now in the Treasury. They demand that the old Suffolk system shall be national-

ized, that the only power that can keep the \$200,000,000 legal-tender notes and all other currency and coin put in circulation at par with gold, absolutely free of expense, viz, the bank, shall do so by assuming the current redemption of the greenbacks pro rata to their capital.

No impartial investigator who will carefully examine the immense body of facts furnished by the Comptroller of the Currency, and those furnished by the chairman and published in the reports at the hearings before the committee, can come to any other conclusion than that no substantial relief can come to the United States Treasury by the enactment of any bill that is not drawn on the lines of the Walker bill (H. R. 10333).

Respectfully submitted.

J. H. WALKER, *Chairman.*

## APPENDIX.

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Not a single person has appeared before our committee who did not condemn the principle on which the Hill-Fowler bill (H. R. 10289) is drawn, and who did not approve the principle upon which the Walker bill (H. R. 10333) is drawn. This is so patent, when dissevered from commendation or condemnation of any particular bill, and therefore given without prejudice, that I append the following extracts from the testimony given before our committee and published in the "Hearings."

### NO GOLD PAID INTO THE TREASURY.

The CHAIRMAN. What percentage of the present income of the Treasury is paid in gold?

Secretary GAGE. Perhaps one-half of one per cent; something like that. It is so small that I have not looked into the matter.

The CHAIRMAN. It cuts no figure?

Secretary GAGE. No; it cuts no figure whatever.

### CHANGES IN THE LAW SHOULD BE FEW AS POSSIBLE.

Mr. WALKER. Should not the changes proposed, while being thorough, make banking as free and allow currency notes to be issued to the people as freely and at the lowest possible cost that is consistent with its sure current redemption in specie and the sure and immediate payment of these currency notes in case of insolvency?

Mr. FAIRCHILD. That is my idea.

Mr. WALKER. The changes should allow those sections of the country where interest is highest to make the same relative profit on the currency issued in those sections as is made in the lower-interest localities, should it not?

Mr. FAIRCHILD. I should think so, most decidedly.

### UNWISE TO ATTEMPT BY MANDATE OF LAW TO UNDEETAKE TO COMPEL BANKS TO REDEEM IN GOLD.

Mr. STALLINGS. Does your bill provide that the national banks shall redeem their notes in gold?

Secretary GAGE. It does not.

Mr. STALLINGS. Do you think it ought to?

Secretary GAGE. After consideration I think it is indifferent whether it does or not. The reason I did not put it in was that I do not believe the Government, as an issuer of notes, ought to recognize any money on earth as better than its obligations, or discriminate against

itself or its obligations. If they say that greenbacks or any of the Government's obligations are not good enough for something, but gold is, they thereby cast a reflection upon their own notes. Besides, I think it would be purely immaterial. If you make the banks redeem in gold, then the banks must get the gold to redeem with. If they have the obligations of the Government, you may make it necessary for them to present the notes to the Government with which to get the gold to redeem their notes, \* \* \* and therefore it does seem to me expedient from all points of view, practically and theoretically, not to put that in the law. The banks, if they find difficulty in maintaining other forms of legal money that will discharge debts, will have to carry gold. They have now in their possession in the country some \$240,000,000 of that kind of metal, which is a pretty fair supply to start with.

Mr. HILL. \* \* \* Do you believe that it would be a wise course to pursue to make all bank redemption specifically in gold coin, eliminating the other legal tender of the country—silver and the lawful money, silver certificates?

Mr. FOWLER. Limit it to the notes, of course, and not the deposits.

Mr. FAIRCHILD. My idea in all this was that the Government should not in its laws discriminate against any of the money which it had in circulation, because the tendency of so doing was to drive it into the Treasury.

Mr. HILL. But that redemption should be in lawful money?

Mr. FAIRCHILD. That was my idea.

#### GOLD REDEMPTION BY GOVERNMENT OF ALL PAPER MONEY— TREASURY REDEMPTION IN GOLD.

Mr. BROSIUS. Now, how can we redeem the pledge we are under by existing law to maintain the parity of our money unless we afford some means for the people who hold paper to present those obligations for redemption in gold?

Secretary GAGE. We can not. I understand we have such a process now.

Mr. BROSIUS. If we take \$200,000,000 of the \$346,000,000 out of circulation and hold it in the Treasury, that can not be presented!

Secretary GAGE. No, sir.

Mr. BROSIUS. What kind of demand obligations will the people have to present to the Treasury to get their gold?

Secretary GAGE. They will have \$146,000,000 of greenbacks. They will have \$100,000,000 or more of Treasury notes, and they will have \$450,000,000 of national-bank notes. They could not present them to the Treasury, but they can present them to those who promise to pay.

#### PARITY TO BE MAINTAINED.

Mr. BROSIUS. I know that; but the Government has undertaken to maintain the parity of all our money.

Secretary GAGE. Yes, sir. \* \* \* The ability of the Government of the United States to maintain the parity between the different forms of its money outstanding depends upon its ability to control gold. So far as it can reduce the obligations that are outstanding, so far it increases its strength to take care of those that are out.

Mr. BROSIUS. Then the duty that we have undertaken, to maintain

the parity of gold and silver and all our money, requires that the people are afforded some means of getting gold with the other money?

Secretary GAGE. The means are open, as I look at it.

Mr. BROSIUS. Are there any means left after the demand obligations of the Government are taken out of circulation?

Secretary GAGE. Yes, sir; there would be if they were all out.

Mr. BROSIUS. What way?

Secretary GAGE. The way would be for people to present their obligations to the national banks.

**UNDER GAGE BILL THE BANKS WOULD REDEEM THEIR NOTES IN SILVER.**

Mr. BROSIUS. The Gage bill does not make it their duty.

Secretary GAGE. To do what?

Mr. BROSIUS. To redeem in gold. \* \* \* They would comply with the law if they redeemed in silver.

Secretary GAGE. They would. Now you have struck the point. You think that when the Government demand obligations are out it will have no function in maintaining a parity. It will have about all the function it wants to perform in keeping \$560,000,000 in silver money of the United States, and keeping that on a parity.

Mr. BROSIUS. How?

**GOVERNMENT WOULD EXCHANGE GOLD FOR SILVER AND FOR BANK CURRENCY.**

Secretary GAGE. By exchanging gold for it.

Mr. BROSIUS. A gold reserve would have to be provided for that purpose?

Secretary GAGE. I think so.

Mr. BROSIUS. Yes. Then, all the paper obligations being issued by the banks, the redemption of that would be left entirely to the banks?

Secretary GAGE. I think so.

Mr. BROSIUS. And then, if the banks refused to redeem in gold, or were unable to redeem in gold, the whole system would collapse, and we would go to a silver basis?

Secretary GAGE. I can not quite follow you. I thought you asserted a minute ago—

The CHAIRMAN. I think I can put a question right there that will perhaps clear this. The object of retiring this \$200,000,000 is to put it out of the power of anyone to use the \$200,000,000 to ask for gold redemption.

Secretary GAGE. That is correct.

The CHAIRMAN. It leaves out in circulation all the silver certificates and the Treasury notes. Now, what Mr. Brosius wants to get at is, how the Government gets gold if it proposes to redeem all those Treasury notes and certificates in gold.

Secretary GAGE. Well, that is another question. It makes little difference how they do it. I provide how they can do it a great deal easier than now.

The CHAIRMAN. How?

Secretary GAGE. There would be \$200,000,000 less to take care of.

The CHAIRMAN. Out of the \$700,000,000?

Secretary GAGE. Out of the \$930,000,000.

Mr. PRINCE. How many million dollars will the bank circulation reach at the same time?

Secretary GAGE. I think it will be something like \$500,000,000.

Mr. PRINCE. That, added to the \$730,000,000, makes \$1,230,000,000. So, if the banks have to redeem the gold, there are demand notes and in circulation, either against the Government or the banks, for which gold can be demanded, to the extent of \$1,230,000,000!

Secretary GAGE. Yes, sir.

#### GOVERNMENT TO REDEEM \$1,230,000,000 PAPER MONEY.

Mr. PRINCE. Now, you say that if the banks can not meet this and it is thrown back on the Government the Government will take possession of the banks, their assets, and property, and, to do its duty, it would redeem this \$1,230,000,000 in gold?

Secretary GAGE. Yes, sir; until they wound up business.

#### GAGE BILL DRAINS THE TREASURY OF GOLD.

Mr. HILL. How have you released the Government of any liability of redemption in that exchange of the \$200,000,000? It seems to me you have made it still more easy to drain the Treasury of gold. For instance, if a company of men wish to get \$200,000,000 of gold from the Government, instead of getting gold for greenbacks, why wouldn't they take bank notes and redeem them in lawful money, and then call for the gold with their lawful money?

Secretary GAGE. In the first place, they would have to get the lawful money. They have to find that lawful money. As fast as these notes are presented for redemption, the *difficulty of finding the lawful money will increase*. They must provide the lawful money. If they do find it, there is no way for the Government to escape payment of its lawful obligations.

Mr. HILL. They will get notes or silver, will they not?

Secretary GAGE. From whom?

Mr. HILL. From the banks; or else the bank fails.

Secretary GAGE. Yes, sir; and if the bank can not provide legal-tender notes, Treasury notes, or silver, it will have to provide gold. It will provide that which is easiest, of course, as anybody else will do. But I contemplate that under my bill I will diminish the lawful money \$200,000,000. I will make it relatively scarcer than it is now.

Mr. COX. When the bank note follows its process along until it reaches its redemption in the Treasury of the United States, does your bill propose to redeem that bank note in gold or other money at the option of the holder of that note?

Secretary GAGE. In the case you suppose, the note is redeemed at the [bank] counter.

Mr. COX. No; they refused to redeem it.

Secretary GAGE. You supposed he redeemed it in a greenback, and he took the greenback and went to the Government.

Mr. COX. He takes the note, or a bundle of notes, to the bank, and the bank refuses to redeem them in gold. He still holds those notes. Now, under your bill, is not the process incorporated into this, that a man can have those bank bills redeemed by the Government?

Secretary GAGE. Yes; he could send to the Government and get those notes redeemed.

Mr. COX. I so understood it all the way through. Now, he could take the bank notes, the bank refusing to redeem them in gold, to the Government—take the same notes to the Government—and the Government would be bound to redeem them in gold if he demanded it!

Secretary GAGE. It would be bound to redeem them in greenbacks or gold; yes. He could take the greenbacks and turn around and draw the gold, so it would be practically a redemption in gold.

Mr. COX. In other words, he could take the notes of the bank and go to the Treasury of the United States and the Government, under this bill, would be obliged to redeem those notes in gold!

Secretary GAGE. Substantially, yes.

But, mind you, the Government is not redeeming those notes on its own account. The Government is redeeming them on account of the bank.

Mr. COX. I understand that.

Secretary GAGE. Then the bank would have to account to the Government and reimburse it.

#### GOVERNMENT HAS NO CLAIM FOR GOLD ON THE BANKS.

Mr. COX. Certainly, and I take it that the Government would demand reimbursement in the same kind of mopey the Government had redeemed the notes in?

Secretary GAGE. No, sir. If the bank had satisfied its legal liability to the Government and recouped the Government with any form of money that the Government recognized—greenbacks, Treasury notes, gold, or silver—that, I think, would be sufficient.

Mr. COX. Then the Government, in the first step of redemption, redeemed the kind of notes I have spoken of in gold, and its obligation is such that you think it necessary, to maintain the parity, to redeem them in gold if the holder desires gold; but when the bank, which has got from the Government the benefit of banking, comes to pay the Government the bank can pay the Government off in any kind of money?

Secretary GAGE. Whose fault is that? That is the situation the Government is in, and going deeper does not get it out.

Mr. JOHNSON. What law is there to require the Government of the United States to redeem national-bank notes in gold?

Secretary GAGE. There is no law; but we have to redeem them in lawful money. We have to redeem them in something, and if it were so that a holder of these notes could go to another window and secure gold, it would be substantially as Mr. COX says.

#### GOVERNMENT GETS THE POOREST MONEY.

Mr. FOWLER. Under your plan, as I understand it, the banks of the country could deposit your reserve fund in either greenbacks, Treasury notes, or silver certificates, could they not?

Secretary GAGE. Yes, sir.

Mr. FOWLER. Would there not be, under the pressure now felt in this country, a tendency on their part to get rid of the poorest of those three kinds of money and instinctively deposit silver certificates. Would not that be the tendency?

Secretary GAGE. That would be the tendency unless their faith in those notes is strengthened.

**Mr. FOWLER.** Let us assume, however, in going through this, that the banks would tend to pay into your reserve any legal-tender money, say in silver certificates. The result, then, is that there would be outstanding, mathematically, \$346,000,000 of greenbacks, \$115,000,000 of Treasury notes, approximately; and you have left \$136,000,000 of silver certificates in the place of the \$200,000,000 of silver certificates which have been deposited by the banks and are not a legal tender and can not draw gold; and in place of that you would have \$200,000,000 of national-bank notes, would you not?

**Secretary GAGE.** Outstanding? On your hypothesis; yes, sir.

**Mr. FOWLER.** I am not dealing with hypothetical questions, but a sad experience which we have had in the last three years. Let us go a step further. If it is true that you have added to the abstractors \$200,000,000 of that money, which to-day makes drafts upon the Government for gold, what defense has the Government against that draft? You have stated that whenever the Government attempts to recoup for that gold which it has paid out, the bank to which it sends its notes can then pay the Government in lawful money?

**Secretary GAGE.** If it has it.

**Mr. FOWLER.** Would it not be the most natural thing in the world for the banker—and I am asking you as a banker—to send in silver, Treasury notes, or certificates rather than to send in gold?

**Secretary GAGE.** It would depend, as I have said, upon two considerations—what relative supply he had of each and what respect he had for them; that is, his confidence in them. If he thought the gold was safer and better for him to have he would send the other if he had it

#### PANIC OF 1893.

**Mr. FOWLER.** That is the point exactly. Now, is it not a fact that we are drafting a bill, not to cover normal conditions, but to cover crises, and is it not true that whenever a crisis is on, such a crisis as we had in 1893, practically no money at all passes between people; and if it were thought that there is a chance of the Government not being able to redeem its obligations, would not everybody press the Treasury for gold, and if it is true, is it not true also that every bank would reserve its gold and pay out its paper money?

**Secretary GAGE.** In such condition of distrust of the standard, yes, sir. \* \* \* I do not know how to avoid the risk of the Government's responsibility except to cancel its debts and not owe anything. Then there would not be any trouble of the kind you suggest.

**The CHAIRMAN.** I wish to ask you whether it is possible to use paper money, and keep it at all times equal in purchasing power to the specie it represents, without having the coin sure of easy possession for the asking in exchanging it when the desire for it arises?

**Secretary GAGE.** I think not.

#### STOPPING THE MOVEMENT OF THE "ENDLESS CHAIN" PRODUCES PANIC.

**The CHAIRMAN.** Then any device that hinders or in any way delays or incites in the mind an apprehension that, upon desiring to exchange the paper money for the specie it represents, the specie may be refused or the obtaining of it delayed, tends to excite a desire to exchange the paper money for it and to incite a panic!

Secretary GAGE. It would incite distrust—that is, panic—and lead to a pressure for specie.

**DEPRECIATING THE PRICE OF BONDS THE ONLY WAY TO PROTECT GOLD.**

The CHAIRMAN. I prefer to use the word "specie," you understand, because I do not want to raise the question of coinage. Is it not a fact that there are scores and hundreds, and, in the case of mortgages, stocks, bonds, and all things that easily and surely transfer wealth, thousands and millions of funds, that are quickly available, which are awaiting the depreciation of prices of such securities in order to purchase them at less than their normal price?

Secretary GAGE. I could not speak very authoritatively on that point.

The CHAIRMAN. I will ask Mr. Fairchild if it is not a fact that there are millions upon millions of funds, quick assets in banks, that are awaiting the depreciation of securities to purchase them?

Mr. FAIRCHILD. Yes, sir; there are always plenty of persons willing to buy at a depreciated price.

The CHAIRMAN. There is an immense number waiting to do so?

Mr. FAIRCHILD. I should think so.

**RAISING THE RATE OF DISCOUNT WORKS THE DESTRUCTION OF THE DESIRE FOR GOLD.**

The CHAIRMAN. The next question is, that the only principle upon which a safe and free issue of paper money redeemable in specie can be had is a principle that will work the destruction of a desire for specie, when it arises in the minds of the holders of the paper money that represents the specie, by then making other things more desirable to them than the specie. Is not that the principle on which the Bank of England raises the rate of discount and protects its gold?

Secretary GAGE. I should say it is, by satisfying the desire rather than by destroying it. That is the only amendment I should make to your statement. It appears in the form of statement.

The CHAIRMAN. How is it satisfied?

Secretary GAGE. Either with the gold itself or other things they prefer.

The CHAIRMAN. Is it not a fact that they will insist upon having the gold unless the action of the bank is such as to depreciate what we call solid securities to a point where they will prefer to buy them—I do not mean individually, but as a class—rather than take the gold? \* \* \* Is it not a fact that the raising of the rate of interest, when conditions are such that the rate of interest is forced up, forces down the price of solid securities, and that solid securities are shipped from one country to another and are accepted by persons rather than specie?

Mr. FAIRCHILD. \* \* \* I think we are somewhat misled by the raising of the rate of interest by the Bank of England. It does that specifically to protect the gold it has.

The CHAIRMAN. My point is, how does it protect the gold by raising the rate of interest?

Mr. FAIRCHILD. Just as it diminishes the borrowing demand. The Bank of England raises the rate of interest because the borrowing increases, and the result of that is to diminish the call upon the funds of the Bank of England, and all of the funds of the Bank of England

being gold, the result is to diminish the call upon the gold in the Bank of England. Now, in this country the same thing takes place when a man borrows a million dollars to pay a debt abroad. It makes a diminution of the loanable funds, and that of itself works an increase in the rate of interest, and when that rate of interest becomes large enough the seller of exchange, instead of meeting his remittances by the actual shipment of gold, finds a cheaper way to meet his bill of exchange.

Secretary GAGE. I agree with what Mr. Fairchild has said, but I do not think either of us yet has specifically answered your question. I am willing, for my part, to say the raising of the rate of interest tends to depress the price of securities and tends to depress the price of commodities.

#### BANKS RAISE THE RATE OF INTEREST BECAUSE COMPELLED TO DO SO.

The CHAIRMAN. Then the raising of the rate of interest by the Bank of England, or the banks of New York, or of Chicago, taking large cities first, is compelled by the financial situation. It is not a matter that they control, but they are compelled to do so to protect their deposits and to protect the banks. Is not that so?

Secretary GAGE. That is undoubtedly so.

The CHAIRMAN. That the bank officers do not by their own motion force up the rate of interest, but they defend themselves and defend their institutions from having their funds depleted by raising the rate of interest, and are compelled to do so by the situation?

Secretary GAGE. Yes, sir; and it is operated upon by the law of supply and demand in regard to loanable funds.

#### LEGAL RATES OF INTEREST.

The CHAIRMAN. Is it not a fact that the rates are never put high enough to prevent the loan of the funds of the banks up to a safe limit, under existing conditions?

Mr. FAIRCHILD. It never will be high so long as there are funds which it is safe for a bank, or a number of banks (if there are a number in a place), to loan.

#### RAISING THE RATE OF INTEREST PROTECTS GOLD.

The CHAIRMAN. Is it not a fact, Mr. Fairchild, that the desire for taking gold or anything else for shipment is an economic desire—unless it is a miserly desire, which we do not consider in this discussion—and when the rate of interest is raised it depreciates the price of securities so that it checks the economic demand for gold, and, added to that, is it not a fact the raising of the rate of interest by the Bank of England has been effective through all these years in protecting its gold?

Mr. FAIRCHILD. The raising of the rate of interest in England by the Bank of England as an indication and exponent protects the gold in England.

The CHAIRMAN. Is it not a fact that the raising of the rate of interest of the Bank of England in the last ten years has always protected the gold, for the reason men desire wealth for the income upon it, and that as the price of solid securities goes down the income increases or the securities are shipped and accepted in place of gold, and that is what protects the gold in the Bank of England?

Secretary GAGE. I think that is correct.

Mr. BROSIUS. In the Bank of England the rate has been as high as 10 per cent?

Secretary GAGE. Twice in my lifetime.

Mr. BROSIUS. In nearly every State there is a legal rate of interest, and under our banking law no national bank in any State can exceed the legal rate of interest there, so that there must be considered as a maximum rate of discount a great many different rates in the different States of the Union?

Secretary GAGE. You are right, except as to the State of New York, where, I believe, on demand loans on securities there is no limit as to the rate of interest. Am I correct, Mr. Fairchild?

Mr. FAIRCHILD. On securities.

Mr. BROSIUS. Let me understand that.

Secretary GAGE. And in Massachusetts I think there is no legal rate.

The CHAIRMAN. There is a legal rate in Massachusetts and in New York when there is no agreement made, but men have the right to make any agreement they choose.

Secretary GAGE. I so understand.

Mr. JOHNSON. On call loans?

The CHAIRMAN. On any loan.

Mr. FOWLER. I would like to have brought out the fact that on call loans in New York there is an exception to the statutory rate. Now, one question upon the matter of raising the rate: Is it not true, gentlemen, that after the rate rises to a certain point it is simply a question whether a large number of people who might profitably borrow at a lower rate do not borrow at the higher price because it will not be a profit to do so?

Secretary GAGE. It operates that way.

Mr. HILL. Connecticut has no rate unless it is fixed in the contract.

Mr. McCLEARY. Inasmuch as New York is the point of export, I wish to ask whether the rate in New York will not govern after all? And, therefore, are the rates of the several States very material in the case?

Mr. FAIRCHILD. I say that under present conditions I should suppose New York would largely determine the rate, although I might say that Chicago has lately been loaning a good deal of money in Europe. So probably the two go very much together; but New York would very largely influence it.

#### PEOPLE HAVE NO DESIRE FOR GOLD.

The CHAIRMAN. Wherever men are controlled by economic considerations the desire of men is for wealth which affords them an income, and therefore specie is never desired or even accepted in payment except for the purpose of selling it at a premium or for safety.

Secretary GAGE. That is a fair statement of fact.

The CHAIRMAN. The whole system of using paper money depends upon the instant and sure redemption in coin by the issuer of it!

Secretary GAGE. Upon perfect confidence in the coin redemption.

The CHAIRMAN. Let me ask a second question, which is developed by this. In order that paper money may be safely issued and used, is it not necessary that the issuer, directly or indirectly, be the redeemer of it?

Secretary GAGE. I think so.

## THE ENDLESS CHAIN.

The CHAIRMAN. Now we strike something that has been talked of in the country—that a fitting illustration of this process is an endless chain that never ceases for an instant to move potentially or actually, and anything that impairs any link in the chain does it injury.

Secretary GAGE. Your question involves figures of speech which fail always to carry exact ideas; but if I catch your thought—

The CHAIRMAN. Can you suggest a more apt illustration of the necessary inevitable constant flow of currency in and out, coming in contact potentially with the specie it represents, than an endless chain which never ceases for an instant to move potentially or actually, and that anything that impairs any link of the chain does the currency system injury? Can either of you gentlemen suppose a more apt illustration?

Secretary GAGE. I think there are a dozen you might use.

The CHAIRMAN. Will you suggest any one of the dozen?

Secretary GAGE. Say individual buckets. We have adopted the endless chain as a figure of speech, which probably conveys nearly the idea involved, namely, that whoever has demands against the Government or anyone else can take those demands and have them realized in redemption money, in specie. If these obligations are again issued, the new holder can do the same, and so there is a sort of circle established; or it may be, on the one hand, the notes flow out, and in the course of the movement of trade or commerce or distrust the notes come back in a circular movement. That is not a horrible thing; it is natural, reasonable, and proper, and the issuer should never complain. Let him meet his liabilities on demand.

The CHAIRMAN. Is not that what will take place in making a redemption fund?

Secretary GAGE. I think it is.

The CHAIRMAN. Can you suggest anything further, Mr. Fairchild?

Mr. FAIRCHILD. No, sir; I think that is perfectly true.

The CHAIRMAN. Assuming that there will be a recurrence of the distress of 1893, is it possible in such a situation and under such conditions to avoid an endless chain, as long as we have any obligations we redeem in gold?

Secretary GAGE. No, sir. You may sometimes make a strong endless chain and sometimes a feeble one. As long as there is a dollar of obligation of the Government out, that dollar can be presented to the Government. If it is redeemed and paid out it can be presented again, and can be presented as many times as it is paid out. That can be done with only one dollar.

## GOLD TAKEN OUT OF THE TREASURY IS LOST FOR USE IN REDEEMING PAPER MONEY.

The CHAIRMAN. Is it not a fact that gold taken out of the Treasury goes into the possession of forces antagonistic to the Treasury, and that gold taken from a bank is immediately returned to some other bank and is kept in the banking system, and the gold is not lessened in quantity? It is lessened in quantity by just that amount taken out of the Treasury which is available for redemption, while in the banks it is not lessened at all?

Mr. FAIRCHILD. Yes.

Mr. JOHNSON. In one sense the endless chain is not an evil. It is

essential in the construction of a currency system that there should be a presentation of the demand notes for redemption, but the evil lies in the fact that the Government does not possess the banking facilities to enable it to meet these demand notes without undue stress.

Mr. FAIRCHILD. Yes; the Government funds are constantly being depleted and never replenished in the ordinary course of its business, while with the bank transactions which call for the issue of its demand obligations contain the means for their payment.

#### GOVERNMENT CAN NOT SAFELY ISSUE PAPER MONEY.

Now, when the Government issues its demand obligations the transaction which issues them contains no means whatever for their payment.

Mr. JOHNSON. That is the very point I wanted to develop, wherein the work of the Government, as a bank issuing circulating notes, differs from a well-constituted bank.

Mr. FOWLER. The counterpart of any credit note that is issued by a Government or a bank is that it shall be currently redeemed in something of real value as a measure, in order that its soundness may be tested every hour if necessary?

#### THE ENDLESS CHAIN GOOD AND NOT EVIL.

Secretary GAGE. In order that a condition of health may prevail. Suppose that with a bank the same circular movement of gold goes on that was spoken of a little while ago. The probability is that every bank in every money center redeems every day from 10 to 15 per cent of its liabilities, creating new liabilities to someone else, and the next day liquidating again and again, always new creditors settling and satisfying former creditors. There is a substantial redemption of a bank's liabilities. A bank's notes are not different in their essential character from the bank's deposits. They are the same in their nature and are governed by the same general principles.

#### SELL BONDS TO MAINTAIN PARITY.

Mr. BROSIUS. Do you think that the parity of all our money under all circumstances could be maintained without the direct interchange of gold for silver, in case the holder of the silver demands it, and does not your commission bill proceed upon the assumption that gold will be given for silver when demanded?

Mr. FAIRCHILD. We provide in our bill that it shall be so given.

Mr. BROSIUS. That is direct interchange, is it not?

Mr. FAIRCHILD. That will be direct interchange; yes, sir.

Mr. BROSIUS. Can the parity of silver and gold be maintained under all circumstances without that direct interchange?

Mr. FAIRCHILD. I should say not so surely, under all circumstances.

Mr. BROSIUS. And therefore you have provided for that in your bill?

Mr. FAIRCHILD. Yes.

Mr. TAYLOR. By the terms of this bill a bank has to pay its depositors in some kind of lawful money. It may pay greenbacks, and when they are gone it may pay them in silver. If it pays them in silver, the United States stands ready to exchange gold for the silver, so the currency of the country rests upon such a basis that men will not only be able to obtain gold when they want it, but they can compel it when they want it.

Mr. COX. Here is a depositor in a bank who has a thousand dollars deposited. He calls upon the bank to make good that deposit. The bank has to make it good in gold or silver. If they make it good in gold, that is the end of it. If the bank pays him in silver, then the man can take the silver and go to the Treasury and get the gold. Is that correct?

Mr. TAYLOR. Yes, sir.

Mr. COX. Now, he leaves the silver there in the place of the gold. The difficulty, in my mind, lies in this. With that kind of process where is the Government to get the gold to redeem that silver or exchange it?

Mr. TAYLOR. Just as it does now. By its revenues, when they are sufficient, and when that is not sufficient by borrowing.

#### UNITED STATES NOTES DESTROYED BY SECRETARY GAGE IN MAKING THEM GOLD CERTIFICATES.

The CHAIRMAN. Mr. Secretary, you have said that if you had in the issue and redemption department \$200,000,000 of greenbacks to-day—and I suppose you include the \$125,000,000 of gold out of the general Treasury, making \$325,000,000—that the banks would immediately, you think, bring gold to the Treasury for the greenbacks?

Secretary GAGE. I think so.

The CHAIRMAN. Why should they not bring the whole \$200,000,000 they now have to take the greenbacks?

Secretary GAGE. Perhaps they would. I am naturally conservative in my estimates.

The CHAIRMAN. It would be to their interest to do so, would it not?

Secretary GAGE. I think it would.

The CHAIRMAN. Then, assuming that there are \$21,000,000 of greenbacks—I believe that is the estimate, somewhere from \$15,000,000 to \$25,000,000—destroyed, you would have either greenbacks in this issue and redemption fund or gold to make up the \$325,000,000?

Secretary GAGE. Yes, sir.

The CHAIRMAN. Then that makes the greenback purely and absolutely a gold certificate?

Secretary GAGE. It makes it essentially so. I do not think it makes it purely and absolutely so.

#### EX-SECRETARY FAIRCHILD.

[Mr. Fairchild proposes to destroy legal tenders and have no paper money under \$10, except \$200,000,000 in silver certificates, and then banks can not get these certificates.]

The CHAIRMAN. You propose a destruction of the greenbacks, and to substitute for the greenbacks drawing gold from the Treasury the silver dollar?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. Then you do not propose to have any means of reaching the gold in the Treasury after you have destroyed the greenbacks?

#### EXCHANGE GOLD FOR SILVER.

Mr. FAIRCHILD. We propose that the Government shall keep the silver dollars equal to gold.

The CHAIRMAN. How are you going to do that?

Mr. FAIRCHILD. By giving gold when anybody wants it; and we cal-

culate that an amount of gold kept in the Treasury equal to 5 per cent of the silver dollars in existence will suffice for that purpose.

The CHAIRMAN. If you propose to redeem the silver dollars in gold by the Treasury, you propose to redeem them on demand?

Mr. FAIRCHILD. Yes, sir; on demand.

Mr. HILL. I would like to ask a question now in regard to the questions asked by Mr. Cox. When this bill is in operation and effect, we will have three kinds of currency—gold, silver, or silver certificates, and bank notes—and that is all!

Mr. FAIRCHILD. Yes, sir.

#### NO PAPER UNDER \$10, EXCEPTING SILVER CERTIFICATES.

Mr. HILL. Now, as I understand the proposition of the commission, they think that the silver certificates under \$10 taking the place of the present national bank notes under \$5 in denomination, and Government currency, will be so firmly held that not even a panic will bring them to the Treasury for redemption?

Mr. FAIRCHILD. Yes, sir.

Mr. HILL. So, practically, for redemption money, there will be gold?

Mr. FAIRCHILD. Yes, sir.

Mr. HILL. Practically all?

Mr. FAIRCHILD. Yes, sir.

Mr. HILL. It will be used for redemption of bank notes, and there will be less silver dollars in circulation, but more silver certificates in circulation as a matter of convenience?

Mr. FAIRCHILD. I could not say.

Mr. HILL. That will be the working of it. Now, I wanted to ask you this question: Suppose a war to come, or some great demand for gold, is there any possible way in which that demand could be brought to bear upon the Treasury?

Mr. FAIRCHILD. No, sir.

#### BANKS CAN NOT GET SILVER.

Mr. HILL. Being unable to accumulate any reasonable amount of silver certificates or dollars, must not that gold be secured by taking national bank notes to the banks for gold redemption?

Mr. FAIRCHILD. Yes, sir.

Mr. HILL. And they will regulate that matter by the operation of the rise and fall of interest, as is now done in England.

Mr. FAIRCHILD. Exactly.

The CHAIRMAN. Then you propose in your system to put the power of demanding the gold of the Government, the redeeming of money in gold, beyond the power of the people to reach; that is your point in the bill?

Mr. HILL. It puts it on the banks.

The CHAIRMAN. No, sir; I beg your pardon.

Mr. FAIRCHILD. I do not understand your question. I do not understand the assumption.

#### TO DEMAND GOLD PUT OUT OF THE POWER OF THE PEOPLE.

The CHAIRMAN. Your answer to the question of Mr. Hill was that the silver would be so absorbed that it was not practicable to get the silver with which to demand gold?

Mr. FAIRCHILD. Certainly.

The CHAIRMAN. That is your first proposition?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. Now, your second proposition is that there is then nothing left in the community that they can get to bring to the Government to secure gold?

Mr. FAIRCHILD. Nothing whatever left.

The CHAIRMAN. Then what institution of individuals is to keep all of our money at par, each with every other?

Mr. FAIRCHILD. The people who issue it.

The CHAIRMAN. But where is the provision in law that anybody shall redeem it in gold?

Mr. FAIRCHILD. They can not redeem it in anything else.

The CHAIRMAN. The gold is to be in the Treasury?

Mr. FAIRCHILD. It would not be in the Treasury.

#### BANKS NOT REQUIRED TO REDEEM IN GOLD.

The CHAIRMAN. Do you provide by law that the banks shall redeem in gold?

Mr. FAIRCHILD. Not at all. In lawful money.

The CHAIRMAN. And your bill destroys the greenbacks?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. And you claim that the silver dollars will not be stored by the banks so they can get gold, as they now store greenbacks. Why will not the desire and the practice of the banks be to keep the silver dollars to get the gold, precisely as they now keep the greenbacks?

Mr. FAIRCHILD. Because the people must have them for use in their trade and business.

The CHAIRMAN. That is, you propose to make the getting of small money so difficult that the banks can not hoard it—can not keep it to get gold for? \* \* \*

#### SILVER MUST GO INTO BANKS.

The CHAIRMAN. Is it not a fact that this silver money, when it is paid in the natural course of retail trade, will be paid to the storekeepers for goods that the people buy?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. That is the use that will be made of it?

Mr. FAIRCHILD. Yes, sir; paid for car fares and hotel bills, and all kinds of things.

The CHAIRMAN. Then the answer to my question is that it will be paid by people in the retail purchases of the things they want?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. Now, is it not the custom of all merchants, railroad companies, big merchants and small, to deposit that money in the bank?

Mr. FAIRCHILD. It is.

The CHAIRMAN. Then is it not the custom to-day for the banks to accumulate the greenbacks, retaining them and paying out something else?

Mr. FAIRCHILD. Yes, sir.

The CHAIRMAN. Then will it not be the custom of the banks, under your proposed law, in order to have something that is the equivalent of gold for which to secure gold to redeem their bills, to keep the silver certificates to demand gold for?

Mr. FAIRCHILD. It will not.

**The CHAIRMAN.** Why?

**Mr. FAIRCHILD.** Because there will not be enough of it.

**The CHAIRMAN.** Well, I am done.

**Mr. HILL.** They will retain gold!

**Mr. FAIRCHILD.** Of course they will.

**The CHAIRMAN.** Then you fix the thing so that nobody can get any money on which to demand gold except bank notes?

**Mr. FAIRCHILD.** That is absolutely the case.

**Mr. COX.** Your theory, then, is, so far as the silver is concerned, that it will be put out in circulation and in the hands of the people, and consequently the banks can't concentrate it so as to draw gold from the Treasury?

**Mr. FAIRCHILD.** Yes, sir.

**REDEMPTION OF UNITED STATES NOTES—UNDER WALKER BILL  
BANKS ASSUME UNITED STATES NOTES EQUAL TO 12½ PER CENT  
OF THEIR CAPITAL.**

**Mr. FAIRCHILD.** I do not get very clearly in my mind how you believe the Government of the greenbacks and the greenbacks still remain, making the banks responsible for them. Where, then, do you differentiate them from the other notes, as to reserves and liabilities? How do you arrive at that?

**Mr. WALKER.** Arrive at their current redemption?

**Mr. FAIRCHILD.** Yes.

**Mr. WALKER.** By requiring banks to deposit in lawful money in the Treasury a sum equal to 12½ per cent of their capital and destroy the existing greenbacks to the same amount and issue to the banks a new print of the greenbacks with their own bill printed on the back of them, which they shall sign and execute as though it were only their own note, and it is legal tender to everybody as now—every bank and every individual—except to the bank that takes and issues them. They will be the same as a Bank of England note. They are legal tender everywhere except at the bank whose note is printed on the back of them. That takes \$200,000,000, and the bill further provides that that amount shall never be increased, but that the percentage of 12½ shall be reduced. It does not mention \$200,000,000, but that is what it comes to. When that is once done, 12½ per cent will never be increased, but on the contrary may be reduced.

**Mr. FAIRCHILD.** If I apprehend your question, it seems to me that that is making a legal tender again of somebody's credit, and while that is economical, or might be economical, and we might like to limit it, I am afraid of the idea. I do not know that I do comprehend the idea fully, but if I do, I am afraid of the idea of making anybody take anybody's promise to pay if he does not want to take it. That would be my objection to your idea, if I understand it.

**THE PEOPLE WISH TO KEEP THE GREENBACKS.**

**Mr. WALKER.** The point is that the people insist on retaining the legal-tender notes and refuse to withdraw them.

**Mr. FAIRCHILD.** Under our bill they remain if the people do not want to have them paid.

**Mr. WALKER.** Do you mean all the people or the people who are the bankers? This becomes a political question.

**Mr. FAIRCHILD.** Anybody who holds them may refrain from present-

ing them for payment in gold if they prefer to have them; and my opinion would be, as I have already expressed it, that having once established our principle they would be retained certainly during the ten years, and even after they cease to be a legal tender they would be performing a very large function.

Secretary GAGE. Mr. Walker, I would like to ask you a question or two on that point.

Mr. WALKER. Certainly.

Secretary GAGE. Your proposition is equivalent, as I understand it, to the banks loaning the Government of the United States  $12\frac{1}{2}$  per cent of the amount of their circulating notes free of interest, substantially.

**NOT A LOAN TO THE GOVERNMENT, BUT A CONVENIENCE TO THE BANKS.**

Mr. WALKER. No, not at all; because if it was to a greater amount it might be, but being at an amount so small, only one-quarter of the cash reserve that the law requires them to keep, and being all taken up in the reserve, and the coin reserve being ample without that, they being treated as coin and performing all the work of coin, it is equivalent to allowing banks the liberty of using their own paper in the place of gold. The bill is drawn upon that theory, and allows the bank with 50 per cent of greenbacks to take out 50 per cent of currency, but whenever the bill gets into full operation, it may take 100 per cent the same as a bank with  $12\frac{1}{2}$  per cent, upon the theory that this was worth to the banks in practice as much as the gold.

Secretary GAGE. Still, it would remain true that the Government would get the advantage of \$200,000,000 without interest?

Mr. WALKER. Certainly.

**COST BANKS NOTHING.**

Secretary GAGE. The only difference is that it would be furnished by the banks without any sacrifice or cost?

Mr. WALKER. Yes.

Secretary GAGE. Since it would go into the bank reserves, being available to them in an ultimate case?

Mr. WALKER. It would never be circulated at all. It would take them from circulation as much as your system or Mr. Fairchild's.

Secretary GAGE. They probably would not be circulated, but if they were paid out the bank would have to redeem them and it would be as much a charge on them as if they were their own notes. Therefore, is it worth while to go through the machinery of those notes? Would it not be better for the banks to lend the Government \$200,000,000 for the privilege of issuing their own notes?

**PARITY MAINTAINED BY BANKS.**

Mr. WALKER. It absolutely relieves the United States Treasury from all responsibility for redemption, for my bill provides that all the banks shall pay a penalty tax of one-half of 1 per cent on their deposits if they fail to maintain the parity between the four kinds of money—the national-bank notes, the legal-tender notes, and the silver dollars, and the gold coin.

## A NEW UNITED STATES NOTE.

Mr. McCLEARY. I have been trying to picture this note that you have been describing. Am I to understand that it is a United States note on one side and a bank note on the other?

Mr. WALKER. Yes; it is the legal-tender note except to the bank that has its note printed on the back, and to that bank it is purely a currency note, like the rest of the notes it issues against its assets.

Is it not a fact that neither the Government Treasury here nor any subtreasury can currently redeem paper with the current funds as banks can do it? The Government can not do it without the actual presence of the legal redeemer? I address my remark to either Secretary Fairchild or Secretary Gage, or to both.

Mr. FAIRCHILD. Will you repeat that?

## TREASURY REDEMPTION EXCHANGE.

Mr. WALKER. Can the United States Treasury or any of its subtreasuries currently redeem paper money as freely, immediately, and economically as the banks can redeem the paper money themselves?

Mr. FAIRCHILD. Do you mean can the Treasury redeem bank notes as economically?

Mr. WALKER. Paper money of any kind—paper money that they issue—as easily as the banks can redeem money they issue.

Mr. FAIRCHILD. That I can not say. That is a matter of statistics. I could not say as to the cost.

## TREASURY REDEMPTION TO COST \$27,000,000 A YEAR.

Mr. WALKER. For the cost of keeping the redemption of moneys—the whole system—the United States Government has held between \$200,000,000 and \$300,000,000 of money for twenty years. It is a cost to the people who are taxed to keep it of 6 per cent interest on that sum of money. Now, it is proposed in both your bill and in Secretary Gage's bill to add \$200,000,000 more, bringing the money in the United States Treasury up to \$450,000,000, and the interest on that costs the people 6 per cent. That makes \$27,000,000 a year for the privilege of the United States Treasury redeeming this paper money—that is, we have got to keep that amount on hand. Not only that, but the machinery of redemption, in the sense of products meeting products in the general funds of a bank, and their paper representatives, including currency notes, with its other obligations redeeming each other, not Treasury redemption, is not as convenient as it would be in a banking system outside the Treasury. Is not that a fact?

Mr. FAIRCHILD. That is a fact.

Mr. JOHNSON. Do you eliminate the United States Treasury in your scheme?

Mr. WALKER. Certainly. It is nothing to the public whether the Treasury receipts are more or less under my bill.

My bill absolutely relieves the United States Treasury from having anything to do with the current redemption of any money of any kind, and puts it on the banks, and on the theory that the banks can do it at no cost, that gold freely flows into the banks, and flows out of them where they issue true currency notes—paper money. That absolutely relieves the Treasury. My claim is that my system would relieve the

United States Treasury of keeping \$400,000,000, more or less, that your bills require to be kept in the Treasury.

Mr. FAIRCHILD. What is the \$400,000,000?

Mr. WALKER. There is \$280,000,000 now in the United States Treasury, more or less—some \$240,000,000 to \$288,000,000; \$288,000,000 it has averaged in some years.

Mr. NEWLANDS. Of what?

Mr. WALKER. I mean of "free moneys," as reported. Call it Government working note redemption capital if you choose. England has a working capital of about \$20,000,000; France a working capital of about \$30,000,090, and Germany a working capital of about \$20,000,000, and we have \$280,000,000.

#### PROPOSITION TO HAVE \$350,000,000 IN THE TREASURY.

Now, Mr. Gage proposes to take out \$125,000,000 of this \$288,000,000; he proposes to add \$200,000,000, making \$325,000,000, which is equivalent to adding \$200,000,000 to what we now have; while my bill relieves the Government of the necessity of keeping any money whatever except an ordinary exchequer balance, the same as any man keeps his business cash.

Mr. FAIRCHILD. Then somebody else is to take care of those things.

Mr. WALKER. It costs the Government interest on it and would not cost the banks anything.

Mr. FAIRCHILD. They do not make interest on the money in their vaults.

Mr. WALKER. That is true, but they would not have to keep any additional sum there under my bill.

Mr. FAIRCHILD. They would take care of the notes, and the banks would not have to do any more than now. Is that it?

#### BANKS NOW SUSTAIN THE TREASURY, COSTING THE PEOPLE \$50,000,000 A YEAR.

Mr. WALKER. The banks to-day sustain the Treasury and are at the expense of sustaining the \$1,000,000,000 that are in circulation. That is my assumption. Now, if the \$1,000,000,000 that is in circulation pays only 1 per cent, the people are in fact paying the difference between 1 and 6 per cent on the whole \$1,000,000,000 the way it is now issued—that is, \$50,000,000 a year in higher rates of interest. I ask you if that is not a fact?

Mr. FAIRCHILD. I do not get at that.

Mr. WALKER. Suppose there was no paper money in existence except that issued by the banks, and suppose the demands of the people call for \$1,000,000,000 of paper money, as now, and the banks issued it and kept that amount in circulation. We will put it in round numbers. The banks would make on that what their rates of loans and discounts were on their general business.

Mr. FAIRCHILD. Yes.

#### UNITED STATES TREASURY TO PAY THE CURRENCY IN CASE OF INSOLVENCY UNDER THE WALKER BILL.

Mr. WALKER. If they are not making any money on that, then the banks are losing that much that they otherwise would make under the English or Scotch or French or German or Suffolk or State bank system, or under the Walker bill. Is not that true?

Mr. FAIRCHILD. Of course; that is a mathematical statement; that if they do not loan the money then they are not making the interest on it.

Mr. FOWLER. Ultimate redemption, however, is thrown upon the Government.

Mr. WALKER. Yes, when a bank becomes insolvent, \$200,000,000 of it; but there is a tax that more than covers it.

Mr. FOWLER. But there is no limit to the tax?

Mr. WALKER. Yes.

Mr. FOWLER. The Government is responsible absolutely?

Mr. WALKER. Certainly; but there is a tax that will pay for that.

Mr. FOWLER. But if that tax doesn't happen to cover it the Government must take it up?

Mr. WALKER. Certainly; the Government guarantees in a statute the same as now, with a bond.

Mr. FOWLER. It is an absolute guarantee for all the banks may issue.

Mr. WALKER. Yes. The money is just as safe as the bonds, except it is written in the statute instead of being written in the bonds.

Mr. HILL. There is a 5 per cent held by the Government of its own money against its own notes.

Mr. WALKER. Yes; it would amount to \$10,000,000, and the bank also keeps with the Government an amount equal to 5 per cent of its currency, which it can not count in its reserve.

Mr. JOHNSON. Are you talking about your bill?

Mr. WALKER. I am talking about my bill.

#### TRUE VISIBLE GOLD.

Mr. WALKER. Now I want to call your attention to another remarkable thing. In the whole of the United States there was specie in the old State banks, in 1860, of \$2.69 per capita. To-day there is gold in the national banks to exactly the same amount—\$2.69 per capita.

Mr. FAIRCHILD. Does that include all the old State banks?

Mr. WALKER. All; yes, sir.

Mr. FAIRCHILD. Then the gold in the national banks is equivalent to the gold in the State banks?

Mr. WALKER. It is fair to say that the gold in banks in 1860 per capita was \$2.69 in this country. To-day it is the same per capita in the national banks alone. The amount in the State banks is not given to-day, but they hold of cash 44.7 per cent as much as the national banks. It is reasonable to suppose that there is \$1.20 per capita of gold in State banks, which, added to the other, makes a specie, probably gold, to-day, per capita, \$3.89, to \$2.69 in 1860. Now, \$3.96 in gold to each of the 73,000,000 amounts to \$272,300,000 in gold. The visible gold, as shown in the Comptroller's report, December 7, 1896, page 22, was \$421,236,388. Visible gold not in banks of loan and discount then was \$148,936,388. Total gold in the United States is \$696,270,542, by the report of the mint.

I did not suppose it was anywhere near that amount, but my recent investigation, and the fact that gold is paid in for taxes in St. Louis and other cities by comparatively poor people, leads me to think that there is more than that. I should not be surprised if \$800,000,000 developed if we had a proper banking system that fully restored confidence. The visible gold per capita—not the gold in pockets, but the visible gold in the various institutions—is \$5.77, and the total gold in the country is \$9.54 per capita that we know of, not counting that which is hoarded. I take the statistics as they are given.



Mr. NEWLANDS. Will you please state again what the per capita of visible gold is?

Mr. WALKER. Five dollars and seventy-seven cents. That was found by the investigation of Mr. Eckles, and was stated in his report of December, 1896, page 26. My point is, that if we had a banking system that would establish confidence, such as is felt in Germany, France, Canada, and Scotland, would not a large amount of gold that is not now visible be visible by flowing into banks at once, or at least very soon?

Mr. FAIRCHILD. I think so. I think if there was entire confidence in our monetary condition that we would see a great deal more gold.

#### SUFFOLK SYSTEM.

Mr. WALKER. The New England banking system—the Suffolk system—was understood to be about as safe a system as any country has ever had in its practical workings; so much so, that in 1857 scarcely a bank failed, and when they suspended specie payment (and then because New York had suspended and they were forced to do it for that reason) they paid, during the whole of that suspension to anybody that asked for it in the legitimate way of business, all the specie they wanted; and gold did not go to a premium by the smallest fraction during that nominal suspension.

Mr. McCLEARY. When was that?

Mr. WALKER. In the panic of 1857. The statements that I have made are matters of history.

Mr. McCLEARY. I do not doubt your statement, but was simply asking for information.

Mr. WALKER. Now, at that specie security we could issue to-day \$1,454,075,000 of currency, with 13½ per cent gold back of it, as New England banks then had.

Mr. McCLEARY. And have as good security?

#### SUFFOLK SYSTEM NATIONALIZED IN WALKER BILL.

Mr. WALKER. Yes. And have the same amount of gold in the banks back of the currency now, as through the New England system for forty years—the Suffolk system. The Walker bill is the Suffolk system nationalized. It is absolutely and purely that, and nothing else; that is to say, essentially the same as the Scotch and the Canadian and the German and the French systems now. Issuing \$800,000,000 of currency there would be visible gold in the banks within a small fraction of 24½ per cent, about double of what there was in the New England banks under the Suffolk system. The visible gold that would flow into the bank immediately would be 52 per cent, more than half, which is an unheard of percentage of gold to currency issued.

In view of these facts, have you any doubt about the safety in the specie reserve to maintain the \$800,000,000 currency that it is contemplated would be issued in the near future?

Mr. FAIRCHILD. I have no trouble on the specie question. I think there will be ample for that.

#### IMMENSE AMOUNT OF GOLD.

Mr. WALKER. In view of this immense amount of gold that we now have in banks and the additions that would find their way into the banks, namely, 52 per cent now of gold to \$800,000,000 of currency, if that is issued, is not the retaining of \$200,000,000 of legal-tender notes that the

banks can keep in reserve a good and not an evil in furnishing a redemption agent and a reserve! That is what I am getting at. I have introduced these facts, not with reference to the gold question, but to discuss this question: If the Government is relieved from current redemption, and it is put on the banks, and the banks have this immense amount of gold, is not the assumption of "current redemption" by the banks entirely safe?

Assuming what I have stated is correct, is it not a good and not an evil to continue \$200,000,000 of legal-tender notes so that they can be used as available funds by banks to supply and transfer balances rather than to be at the expense of transporting gold?

Mr. FAIRCHILD. It would not be necessary to transport the gold any more than we do at New York at the present time. There they have to put the gold in charge of the clearing house, and they have simply a piece of paper to represent it. It is a mere matter of ingenuity.

Mr. WALKER. In the absence of this \$200,000,000 of legal tender they would have to accumulate this \$600,000,000 of gold?

Mr. FAIRCHILD. Yes.

Mr. WALKER. Now, if that is so, would it not be a good to the country not to require them to accumulate the \$600,000,000, but be satisfied with \$400,000,000, and let them hold \$200,000,000 of greenbacks in the place of \$200,000,000 gold?

Mr. FAIRCHILD. Who is behind the \$200,000,000 in greenbacks?

Mr. WALKER. The banks. They have to redeem them the same as their own currency.

Mr. FAIRCHILD. Where do they get the gold for that?

Mr. WALKER. The same as to redeem any other currency notes of the banks—out of the \$621,000,000 of gold.

Mr. COX. Where do they get the \$421,000,000?

Mr. WALKER. It is "visible" in the country now.

#### TOO MUCH GOLD REQUIRED.

Mr. WALKER. As I understand it, Mr. Fairchild, the bill of the commission would destroy all the Treasury notes and legal-tender notes; it would so use the silver dollars that they could not be had to use in the cash reserves of banks; and this for the purpose of making it impracticable for banks to get any other money but gold to redeem their notes with. That would be the effect of it!

Mr. FAIRCHILD. That would be the effect of it.

Mr. WALKER. How much gold would it take to furnish all cash reserves now held by national banks?

Mr. FAIRCHILD. I have not figured on that.

Mr. WALKER. The report of the Comptroller of the Currency says that \$389,000,000 in round numbers in cash reserve is held in the national banks, and that in the State banks there is \$152,000,000 cash reserve, and he estimates there is about 12½ per cent of the State banks that do not report to the Comptroller. That would make the probable cash reserve now in the banks \$562,883,000. The question is whether that amount in gold would not overload the banks, whether it is not an unreasonable expectation, and even if the expectation could be realized whether it would not be an exceedingly uneconomical procedure to compel the banks to keep \$562,000,000 of gold, upon which the country must lose interest. That is to say, "a sufficiency is enough." The moment they get gold to more than what makes absolute safety the people are losing 6 per cent interest on the unnecessary surplus.

Mr. FAIRCHILD. Certainly.

Mr. WALKER. We want enough, and have both gone on the idea that a sufficiency is enough; but is not what is provided for in the commission bill an unreasonable amount?

Mr. FAIRCHILD. Possibly it is. I do not think it is an unwise amount.

**"TRUE BANK CURRENCY" BETTER THAN "BOND SECURED CURRENCY"—GAGE BILL "TENTATIVE."**

The CHAIRMAN. Mr. Secretary, you say your bill (H. R. 5181), which you have drawn and presented to the committee, "is not final, but rather a tentative step;" and again you say, "it will lead to conditions ultimately desirable." In order to know the virtue and value of the bill and the desirability of entering upon its enactment, it is necessary for the committee to know what you have in view and what you would call the completed whole.

Secretary GAGE. It would be a condition of affairs where there was a system of bank notes issued in the United States made safe to the people without the deposit in the hands of a trustee of specific security therefor, wisely limited and restricted by law so as to reduce to the minimum the possible abuses which might grow out of such a responsible duty, and eliminating substantially or entirely the Government of the United States from its present method of paying its debts by giving another debt in payment.

The CHAIRMAN. That completes the answer!

Secretary GAGE. I think it does.

The CHAIRMAN. Mr. Gage, in reply to the question as to what your scheme was tentative to, and to what you looked as final, you made a statement which is in the record. Upon reading your answer to the question, are you satisfied with it? [See above.]

Secretary GAGE. Yes, sir; it might be somewhat extended, but I think the idea is covered in that.

The CHAIRMAN. Mr. Fairchild, you listened to the statement of Mr. Gage. Do you agree with his idea?

Mr. FAIRCHILD. Yes.

**TRUE BANK CURRENCY.**

The CHAIRMAN. I desire to ask a question or two as to a "true bank currency" for the purpose of getting it in the record, so the people reading the record will know what we are talking about. A bank keeps at all times, in the regular conduct of its business, assets more than equal to every obligation against it, including its currency notes?

Secretary GAGE. Yes, sir.

The CHAIRMAN. Secondly, a bank pays out every dollar it puts in circulation upon the receipt from the person taking it of ample security for its redemption?

Secretary GAGE. That is, in good practice and theory.

The CHAIRMAN. Thirdly, the currency of a bank is redeemed at its place of redemption by its general "current funds"—which are titles to products, and which are in the hands of another bank that acts as its agent in redeeming its notes, and not in actual coin?

Secretary GAGE. What do you mean by "current funds?"

The CHAIRMAN. I will put it differently. In the current funds that it has on deposit in its correspondent bank for the purpose of meeting all its obligations, including its currency notes?

Secretary GAGE. Yes, sir; that is true.

The CHAIRMAN. On the other hand, a (1) government gets nothing in the regular course of its business when it pays out its own currency, and (2) the coin must be constantly carted into the vaults to redeem, and carted out in redemption of paper money.

Secretary GAGE. The first part of the statement is correct, that when the Government pays out it does not acquire anything which it keeps to serve as an ultimate redemption for the note it pays out. The note it pays out is in consideration for services already rendered or for goods and commodities already received and used.

The CHAIRMAN. If you will turn to page 175 of the Treasurer's report for 1897 you will find that there was redeemed at the Treasury last year \$113,000,000, total redemption of national bank notes. In the second column of the table you will see there was \$33,000,000 of money that was actually sent out by express—that is to say, about one-third. The rest of the redemption was in checks on the subtreasuries sent to banks, as I understand?

Secretary GAGE. Yes, sir.

The CHAIRMAN. Now, it is equipped with funds, either greenbacks or coin; if it was coin redemption, that coin had to be carted into the subtreasury from some source in order to meet the balance of \$80,000,000 redemption?

Secretary GAGE. That would be supplied in some manner.

The CHAIRMAN. Then the answer to my question, of course, is in the affirmative—that is, essentially true.

Secretary GAGE. That is substantially correct.

The CHAIRMAN. The currency issued by a government redeeming government currency can not be redeemed in general current funds—which are, of course, the titles to products—for it has none and can get none. The bank must send its specie to redeem its notes with, or the government must get specie by taxation or selling bonds—one or the other method?

Secretary GAGE. I see no other avenues.

The CHAIRMAN. I want to call your attention to the taxes proposed in the bill prepared by Secretary Gage and Ex-Secretary Fairchild.

Mr. BROSIUS. I would like to ask if you mean that these propositions embody the theory of banking?

The CHAIRMAN. And the practice.

Mr. BROSIUS. Do you mean to say these propositions express the actual practice of banks always?

The CHAIRMAN. I do.

Mr. BROSIUS. I can not give my unqualified assent now, and at some time I would like some explanation of these propositions.

The CHAIRMAN. Now is the time to record it.

#### BANK ASSETS.

Mr. BROSIUS. You say a bank keeps at all times, in the regular conduct of its business, assets more than equal to every obligation against it, including currency notes. If that is so, no bank could ever break up, and banks are breaking up.

The CHAIRMAN. I do not mean insolvent banks; I mean sound banks.

Mr. BROSIUS. That is an exception to the proposition.

The CHAIRMAN. It is implied in the questions.

Mr. BROSIUS. In the second place, you say the bank pays out every dollar it puts in circulation upon the receipt, from the person taking it,

of ample security for its redemption. If that is true there would be no bad debts. If all the money paid out is secured by ample securities, when are notes discounted by a bank not good at all?

The CHAIRMAN. I am speaking of a sound bank.

Mr. BROSIUS. Then, if it is the theory of banking, it is all right.

The CHAIRMAN. No; it is not the theory only; it is the actual practice.

Mr. BROSIUS. In the average of banks?

#### SECURITIES TAKEN FOR BANK CURRENCY.

The JCHAIRMAN. No; I mean to say that where a bank pays out its currency notes it always takes from the man who receives the currency what it considers to be sound securities—it may be mistaken, but what it considers are at the time sound securities—for more than it pays out in currency notes.

Mr. BROSIUS. That is right, but that is a totally different proposition.

#### TRUE BANK CURRENCY REDEEMED BY THE MAN WHO TAKES IT.

The CHAIRMAN. No, sir; the second proposition is that the man who borrows, as a matter of fact, in good banking, himself redeems the notes that he takes from the bank. That would come in a little later, but I put it in now: Namely, the banks take the personal time note of the borrower on ninety days, and if its currency is averaged to be redeemed once in every ninety-two days, four times a year, the man who took the currency for the proceeds of the discounted note actually deposits the funds in the bank which redeems that currency. That is not theoretical, but practical, banking. These propositions are absolutely true, and can be found in the active banking of France, Germany, England, Scotland, Canada, and every other country that has a sound and true banking currency; and you can not have sound banking where the public Treasury is the redeemer.

#### NORMAL CIRCULATION.

Mr. NEWLANDS. Mr. Secretary, Mr. Fowler, in one of his questions, used the term "normal circulation." What do you understand by that?

Secretary GAGE. I do not understand anything by it. I do not know what is normal, and I do not believe anybody does or can tell; the law of supply and demand operates, and that determines what is normal.

The CHAIRMAN. And whatever that shows is taken out is normal?

Secretary GAGE. I think so.

Mr. FOWLER. Then it does mean something?

The CHAIRMAN. It means that whatever circulation averages to be taken out is thus shown to be normal.

Secretary GAGE. With that correction of my expression as to what the word meant, I should say yes.

#### ELASTICITY OF CURRENCY.

Mr. NEWLANDS. It is expected that the circulation that these bills call for will have the element of elasticity?

Secretary GAGE. It is expected it will.

Mr. NEWLANDS. As a matter of fact, is not this bank circulation practically an extension of the check and deposit system?

Secretary GAGE. That is what it is.

Mr. NEWLANDS. A practical extension of the check and deposit system?

#### BANK CURRENCY CHECKS.

Secretary GAGE. Substantially; a bank note issued by a banker is nothing more than a memorandum check which will draw money from the bank at any time at the pleasure of the holder.

Mr. NEWLANDS. It is a check payable to bearer?

Secretary GAGE. Yes, sir; it is, substantially.

Mr. JOHNSON. Do I understand you to say that an elastic currency, one which would expand and contract with the varying needs of trade, is as readily obtained on bond security as under some other form of security—as under security issued against the assets of the bank with a guaranty fund?

Secretary GAGE. I do not say that the secured circulation is as useful as the unsecured; that is another side of the question. I do not think it is useful to tie up capital needlessly.

Mr. JOHNSON. That is the point I wished to develop.

#### WALKER BILL.

The CHAIRMAN. I want to say to Mr. Fairchild and Secretary Gage that the bill prepared by myself meets exactly the conditions that you have suggested ought to be met in the banks you have designated in a proper banking system whenever you can get it.

Suppose there was no paper money in existence except that issued by the banks, and suppose the demands of the people call for \$1,000,000,000 of paper money, as now, and the banks issued it and kept that amount in circulation. We will put it in round numbers. The banks would make on that what their rates of loans and discounts were on their general business.

Mr. FAIRCHILD. Yes.

#### BOND-SECURED CURRENCY ROBS A BANK OF CAPITAL.

Mr. WALKER. If they are not making any money on that, then the banks are losing that much that they otherwise would make under the English or Scotch or French or German or Suffolk or State bank system, or under the Walker bill. Is not that true?

Mr. FAIRCHILD. Of course; that is a mathematical statement; that if they do not loan the money then they are not making the interest on it.

#### SECURE ON GOLD STANDARD.

Mr. WALKER. Mr. Gage, do you understand that France is absolutely secure on the gold standard?

Secretary GAGE. Yes; I think so.

Mr. WALKER. Do you not think Germany is absolutely secure on the gold standard?

Secretary GAGE. I believe so; but it does not make so much difference to me what Germany or France are on as it does what we are on, because our contracts are domestic and relate to all the trade and commerce which we get.

Mr. WALKER. I make the statement that the bill drawn by me puts us on precisely the same standard, in precisely the same manner, with

a little different machinery, as France or Germany, and if that is the fact, and that bill could be passed and this Monetary Commission bill could not, and mine accomplishes what you declare ought to be accomplished—

Secretary GAGE (interrupting). Then it would be perfectly satisfactory to me in that particular.

The CHAIRMAN. When a bank issues currency it has the right to take out against its assets to the limit of its capital. It secures currency to the amount of its capital, puts it in its vaults, and keeps out what it well can, having currency always in its vaults to put out whenever there is a call for it and they can get it out. It has, in addition to that, the capital, which is not depleted by a dollar in loaning currency.

Secretary GAGE. That is right.

#### CURRENCY ISSUED AGAINST ASSETS.

The CHAIRMAN. If they have to put up bonds they can buy at par and issue currency to the amount of the capital; it absorbs every dollar of their capital.

Secretary GAGE. That is right.

#### BANK CURRENCY REDUCES INTEREST RATES.

The CHAIRMAN. Then, if a bank can make loans of its deposits to an amount sufficient to make money enough to pay its expenses of every name and nature and they just balance (assuming that they can keep out all their currency)—then they can make loans at one-half the rate of interest they could if the capital was used up to take out currency secured by bonds.

Secretary GAGE. That is substantially true.

The CHAIRMAN. Now, every dollar of currency, where the currency is issued against assets that remain in the vault of a bank, remains there without the slightest loss to the bank, except the printing of it.

Secretary GAGE. That is true.

\* \* \* Suppose that with a bank the same circular movement of gold goes on that was spoken of a little while ago. The probability is that every bank in every money center redeems every day from 10 to 15 per cent of its liabilities, creating new liabilities to someone else, and the next day liquidating again and again, always new creditors settling and satisfying former creditors. There is a substantial redemption of a bank's liabilities. A bank's notes are not different in their essential character from the bank's deposits. They are the same in their nature and are governed by the same general principles.

#### BANK CURRENCY, THE FARMERS AND WAGE EARNERS' "CERTIFICATE OF DEPOSIT" AND BANK CHECK.

Mr. WALKER. Is it not the practice of merchants and manufacturers and those living in cities to leave the proceeds of a personal note discounted for them by a bank in the possession of a bank in the form of an "individual deposit," to be drawn out by checks, drafts, etc.?

Mr. FAIRCHILD. Yes.

Mr. WALKER. On the other hand, is it not the almost universal practice of the people who live in sparsely settled sections of the country, and especially the farmers, to take home with them the currency notes

of the bank discounting their time notes rather than to leave the proceeds in the bank discounting or in another bank?

Mr. FAIRCHILD. I understand that to be the case.

#### BOND-SECURED CURRENCY OPPRESSIVE.

Mr. WALKER. Then is not a very great hardship worked to those sections of the country under a banking system which does not allow the free issue of paper on the true banking principle?

Mr. FAIRCHILD. I consider it so.

Mr. WALKER. Is not a currency note to the person holding it the equivalent of a certificate of deposit or a certified check in the bank?

Mr. FAIRCHILD. It is, except that it is more available for him.

Mr. WALKER. Better for his purpose?

Mr. FAIRCHILD. Yes.

Mr. WALKER. Then it follows, does it not, that any great expense put upon banks in getting currency notes to issue is a great expense, hardship—in fact, oppression—to those citizens who do not use checks, drafts, etc., in their transactions, and who are practically compelled to use currency or do without banking accommodations?

Mr. FAIRCHILD. Yes, sir.

#### BOND-SECURED CURRENCY CHECKS ENTERPRISE.

The CHAIRMAN. It follows, then, that a currency made expensive, or one that lessens the amount of loanable funds the bank has on any given amount of capital and deposits, checks enterprise by making production difficult and expensive to those people who naturally and inevitably are shut up to the use of currency in getting bank accommodations instead of using checks, drafts, etc.?

Mr. FAIRCHILD. That is true.

Mr. HILL. Do you mean by your answer to imply that there should be unlimited bank issues?

Mr. FAIRCHILD. No.

Mr. HILL. Does not the question asked by Mr. Walker involve that?

Mr. FAIRCHILD. I did not so understand it.

Mr. HILL. Will you kindly ask Mr. Walker to have that read again, and in the light of that repeat your answer?

Mr. WALKER (reading the question again). That does not involve quantity at all. Do you wish to change your answer?

Mr. FAIRCHILD. No.

#### CURRENCY ISSUED FREELY LOWERS RATE OF INTEREST.

Mr. WALKER. It follows, then, that by issuing true bank currency a bank can make its loans to the people patronizing it at as much lower rate of interest than it could if it had only its capital and deposits to lend, and no currency, as the currency it has in circulation bears to the whole amount of its loans and discounts, and pay the same dividends on its capital stock!

Mr. FAIRCHILD. I should say that by the amount its circulation increases its resources it is enabled proportionately to give a greater accommodation to its customers, and necessarily at a less rate.

Mr. WALKER. Compelling a bank to buy bonds at par to secure its currency notes, even if the bank secures notes to the par of such bonds,

depletes its loanable funds, as compared with the "true bank currency" issued against its assets, by every dollar it pays for such bonds, does it not?

Mr. FAIRCHILD. I think so.

Mr. WALKER. Then, compelling banks to use "bond-secured" currency compels the people borrowing of such banks to pay a higher rate of interest as compared with banks issuing "true banking currency" against their assets—as is done in every other country—in proportion to the amount of such currency the bank uses in comparison to its whole loans and discounts?

Mr. FAIRCHILD. It seems to me that is very much the same as the other question. I would repeat my answer to the other question.

#### TRUE BANK CURRENCY ISSUED BY COUNTRY BANKS.

Mr. WALKER. Mr. Fairchild, the statistics collected by the Treasury Department show that in Vermont all the banks combined (not a single bank) kept in circulation an average of 103 per cent of the currency to its capital. You will find the statistics on page 441 of the hearings before this committee in 1896. Old Virginia kept out 96 per cent; North Carolina 95 per cent. You will find by turning to page 458 that 55½ per cent of the country banks in Massachusetts—outside of Boston, which had the least currency—had over 64 per cent; Ocean bank, Newburyport, 91 per cent to capital; Powow River, Salisbury, 110 per cent; Brighton, 112 per cent; city of Cambridge, 96 per cent; Malden, 87 per cent. This indicates, does it not, that the poorer sections of the country, the agricultural districts, like Vermont and North Carolina and Virginia, can keep in circulation if they are allowed to do so, about 100 per cent of currency to capital?

Mr. FAIRCHILD. It shows that they did.

The CHAIRMAN. Is it not a fact that the average of the banks in the country can keep in circulation nearly double the currency at certain seasons of the year over what they can at other seasons?

Mr. FAIRCHILD. I do not know the exact proportions.

Mr. WALKER. But usually much more?

Mr. FAIRCHILD. It is usually much more.

#### BORROWERS GET THE ADVANTAGE OF "FREE CURRENCY ISSUE."

Mr. WALKER. Where the business of banking pays a larger profit than other business of like labor and risk, will not capital be invested in new banks in competition with existing banks until the profits in banking are reduced to the general average of incomes in other investments?

Mr. FAIRCHILD. That is the natural law of such things, in banking as in anything else.

Mr. WALKER. Is it not within your knowledge that in Canada, Scotland, Germany, and France the rates of loans and discounts all over those countries are very nearly the same where the same risk is incurred and the same time and amount is involved?

Mr. FAIRCHILD. That is the case in Canada, and I understand in Scotland also.

Mr. WALKER. It is because the branches in the country allow them to circulate such an enormous amount of currency that it is possible. It is the currency privileges of banking that they could not exercise if they were strictly a city bank; but with branches out through the

country it enables them to circulate their currency, which keeps the rates down in the country as compared with the city?

Mr. FAIRCHILD. I think that has a great effect upon it.

#### INTEREST REDUCED ONE-HALF.

Mr. WALKER. Assuming that the money made on its deposits by a bank with a capital of \$100,000 was exactly equal to its expenses of every name and nature, including the current redemption of its currency notes, if it has any, and assuming the bank has no currency notes to issue and has its \$100,000 funds equal to its capital loaned to customers on notes, each having three months to run and discounted at the rate of 6 per cent per annum, the net profit on its business would just equal 6 per cent on its capital stock, would it not?

Mr. FAIRCHILD. Its deposits pays its expenses—

Mr. WALKER. Of every name and nature. It has \$100,000 capital to loan and no currency!

Mr. FAIRCHILD. It will get 6 per cent, of course.

Mr. WALKER. If it can take out \$100,000 currency and keep it in circulation, it can make loans at 3 per cent and make the same amount of profit!

Mr. FAIRCHILD. Exactly.

#### CITY BANKS CAN NOT ISSUE CURRENCY.

Mr. WALKER. Is it possible for city banks without branches to circulate very much currency—those banks whose business is what might be called a strictly city business?

Mr. FAIRCHILD. It is not.

Mr. WALKER. Practically it can circulate none; it comes back in the clearing house the next morning!

Mr. FAIRCHILD. Yes.

#### TAXING CURRENCY OBJECTIONABLE.

Mr. WALKER. Is not this 2 per cent tax on currency between 60 per cent and 80 per cent, in view of what I have said about Vermont and Virginia, a restriction working a hardship, and does it not work exclusively to the expense and hindrance of the circulation in country districts, where they actually need considerably above the 60 per cent?

Mr. FAIRCHILD. I think that is the objection to it. That is my objection.

#### BANK LOSES INTEREST ON BOND-SECURED CURRENCY.

Mr. WALKER. Where currency is issued as it is to-day, does not the bank actually lose on each dollar of currency not in circulation an amount equal to its rates of loans and discounts, less the profit the bank would make were all its currency notes in circulation?

Mr. FAIRCHILD. Yes; that is true.

Mr. WALKER. Does not any system of currency that makes the currency held in the vaults of a bank an actual loss to the bank under any circumstances compel the bank to increase the loan and discount rates to the people to an amount equal to the losses made on the currency that it holds in its vaults?

Mr. FAIRCHILD. It does.

**UNITED STATES BOND-SECURED CURRENCY A "PER CENT RATE CURRENCY."**

*Market price of United States 4 per cent bonds of 1907.*

	Quotations of market price of bonds.	Rate real- ized.	National-bank currency notes in circulation.
<b>June 30—</b>		<i>Per cent.</i>	
1881.....	{ 117 $\frac{7}{8}$ 118 $\frac{1}{8}$	R. C. } 3.047	\$312,223,352
1882.....	120	..... 2.926	308,921,898
1883.....	{ 118 $\frac{7}{8}$ 119 $\frac{1}{8}$	R. C. } 2.895	311,963,302
1884.....	{ 118 $\frac{1}{4}$ 119 $\frac{1}{4}$	R. C. } 2.909	295,175,334
1885.....	123 $\frac{3}{8}$	..... 2.654	269,147,690
1886.....	{ 126 127	R. C. } 2.403	238,273,685
1887.....	125 $\frac{1}{2}$	..... 2.448	166,625,658
1888.....	{ 127 $\frac{1}{2}$ 128 $\frac{1}{8}$	R. C. } 2.243	155,315,353
1889.....	{ 128 $\frac{1}{2}$ 129 $\frac{1}{2}$	R. C. } 2.095	128,867,425
1890.....	{ 121 $\frac{1}{2}$ 122 $\frac{1}{2}$	R. C. } 2.451	126,323,880
1891.....	{ 116 $\frac{1}{2}$ 117 $\frac{1}{2}$	R. C. } 2.735	123,915,643
1892.....	{ 116 $\frac{1}{2}$ 117 $\frac{1}{2}$	R. C. } 2.666	141,661,533
1893.....	{ 109 110	R. C. } 3.200	155,070,821
1894.....	{ 113 114 $\frac{3}{4}$	R. C. } 2.749	171,714,552
1895.....	{ 112 113 $\frac{1}{2}$	R. C. } 2.753	178,815,801
<i>New "fours" of 1925.</i>			
February 5, 1896.....	112	..... 3.351	212,023,386

This table shows that the 4 per cent bonds of 1907 bonds average to sell at prices to the purchaser in 1889, per cent .....	2.095
Average to pay at prices sold for during 1887, 1888, and 1889, three years .....	per cent.. 2.292
From 1883 to 1892, the eight years previous to the panic of 1893 .....	per cent.. 2.462
Note circulation of national banks in 1881 .....	\$312,223,352
Note circulation of national banks on June 30, 1890.....	126,323,880
And this decrease in bank-note circulation was before the increase in currency under the silver act of July 14, 1890.	
National-bank note circulation one year later, January 30, 1891, was only .....	123,915,643
National-bank note circulation on February 5, 1896, because of ruined Government credit, has run up to .....	212,023,386

**Mr. WALKER.** I wish you to look carefully at this table, and answer this question: Whether it is not fair to say that a currency that shrinks as bonds appreciate and that increases as bonds depreciate is a freak currency?

**Mr. FAIRCHILD.** Well, I should think that it is a very bad currency, but exactly what the financial and scientific application of "freak" is I am not prepared to say.

#### OUR CURRENCY SYSTEM THE WORST IN THE WORLD.

**Mr. WALKER.** In testifying before the committee last year, after considerable discussion and answering questions upon the point, the Comptroller of the Currency, Mr. Eckels, put his appreciation of the financial system in these words: "Yes; the United States has the worst financial and currency system of any leading nation." What do you think about our financial and currency system, as compared with those of other leading nations of the world?

**Mr. FAIRCHILD.** I think it is the worst.

**Mr. WALKER.** You understood the question to be comparatively and not specially or personally denouncing our currency, but that, as compared with other nations, it is the worst of any you know of among leading nations?

**Mr. FAIRCHILD.** Yes.

**Mr. BROSIUS.** I understand that.

#### PROTECTION OF STOCKHOLDERS.

**Mr. FAIRCHILD.** Now, there is no way that I know of to protect the stockholders and depositors except by greater vigilance in your examinations and that sort of thing.

**Mr. VAN VOORHIS.** Do you not think we could retire a portion of the obligations of the Government, and by retiring the small notes and refunding the bonds that are now outstanding, on a 2½ per cent basis, perhaps, do you not think we could have a secured currency?

**Mr. FAIRCHILD.** That would not be sufficient. We could have secured currency, but I do not think that a secured bank-note currency at all answers the purpose of a community in its true sense of a bank currency.

**The CHAIRMAN.** What do you mean by "secured?"

**Mr. VAN VOORHIS.** Secured by bonds.

**Mr. FAIRCHILD.** Of course, it is all secured, but it is the method of securing it.

**Mr. VAN VOORHIS.** I have questioned all the way through the propriety of issuing this credit currency unless we could have a secured currency based on the bonds of the Government. I believe that would be better.

**Mr. FAIRCHILD.** You can not have a currency based on the deposited bonds of the Government that is any more secure than the currency we offer here. It is not a bit more secure and not nearly so useful.

**Mr. WALKER.** Are not the currency notes issued by banks every way sound, and quickly available, with the guaranty for the payment in case of insolvency of the bank written in the statute authorizing the issue of them, and appropriating the money necessary to pay for and create a safety fund, to pay them—in every way as safe as a currency created by bonds?

**Mr. FAIRCHILD.** I should say so. It is an obligation of the Government in one case as it is in the other, I think.

The CHAIRMAN. The principle of the present law is to take out of the bank the day it begins business all of its capital and lock it up so it can not loan it.

Mr. TAYLOR. I agree with you.

Mr. COX. \* \* \* Now, you being an experienced man in finance, is not the community itself the best judge of what currency it needs and what currency the community can handle?

Mr. FAIRCHILD. Undoubtedly.

Mr. COX. Then would you not be in favor of a law that would repeal this tax and prohibit the local currency?

Mr. FAIRCHILD. My individual opinion on that subject is now and always has been that the United States should provide as perfect a banking system as it can. \* \* \* The laws and constitutions of many of our States are such that you can not get any local circulation under them. Texas, I believe, absolutely prohibits a thing of that kind. Therefore, in order to make anything that is complete in the attitude of our States toward it now, it is evident that it is not only better to have a national system, but it is absolutely necessary. To supply Texas, for instance, Arkansas, and quite a number of those States, it is absolutely necessary to have a national system, or else they would have to reverse their whole action, and that would be a long process.

The CHAIRMAN. \* \* \* Under the Walker bill, the currency of which is issued on the true currency principle, the profit is identical on each \$1 in circulation.

Secretary GAGE. I have no doubt, Mr. Chairman, that your bill offers better inducements and more profit to the bankers than our bill.

The CHAIRMAN. Have you any doubt that it works out just as safe to the Government, to the banks, and to the holders of currency?

Secretary GAGE. No, I have not; with proper restrictions and limitations.

#### BANKS PROTECT BORROWERS IN PANIC.

The CHAIRMAN. Is it not a fact that the minute a bank is threatened all the business community rushes to increase their discounts and loans and deposits, and that that is what intensifies the panics so much, plus the drawing out of deposits?

Mr. FAIRCHILD. You mean it tends to borrowing of more money?

The CHAIRMAN. Yes. They want to increase their loans and discounts.

Mr. FAIRCHILD. Yes; they do that.

The CHAIRMAN. Banks then say: "We can not increase your loans, but we will take care of you;" and saying that all over the country checks the panic. That is true, is it not?

Mr. FAIRCHILD. Yes.

#### CURRENCY NOT ISSUED AGAINST DEPOSITS.

Mr. BROSIUS. Do you think it desirable, and if so, on what principle, to issue currency against deposits? \* \* \* Your bill provides for issuing currency against the assets of the banks. Of course, you understand that the deposits are a part of the assets.

Mr. FAIRCHILD. Oh.

Mr. FOWLER. The deposits are not assets.

Mr. BROSIUS. Yes, they are.

Mr. FOWLER. They are liabilities.

Mr. BROSIUS. Take all your deposits. Your currency is the first lien upon all the assets of the banks.

Mr. FAIRCHILD. You mean the reverse. The deposits are a liability. The deposits are a lien upon the assets.

Mr. BROSIUS. I do not care about the use of technical words. The point is that when you issue the currency against the assets of a bank and make those notes the first lien upon the assets, that act covers the deposits and the depositor loses his money just in proportion as his money is taken to make good the notes. Do you think it desirable, on general principles, to issue currency against assets and make that currency the first lien upon the depositor's money in the vaults of that bank?

Mr. FAIRCHILD. I do.

Mr. BROSIUS. Upon what principle can you justify it?

Mr. FAIRCHILD. A depositor need not put his money there unless he wants to. He knows what the arrangement of the bank is. That is true to-day.

Mr. BROSIUS. You say that is exactly what you do to-day?

Mr. FAIRCHILD. Yes.

#### DEPOSITORS FREELY TAKE THE RISK.

\* \* \* \* \* Mr. BROSIUS. So in any event the loss falls upon the depositors?

Mr. FAIRCHILD. It always does.

Mr. BROSIUS. Is it not fair to assume that in cases of fraud such as you suggest, where the capital of a bank is simply gobbled up, if they had not deposited a certain amount of capital in place of the bonds, they would have stolen that also? And is it not a clear question of saving whatever amount of bonds they deposit?

#### RASCALS STEAL THE WHOLE BUSINESS.

Mr. FAIRCHILD. They would have stolen that also.

Mr. BROSIUS. They can not steal bonds, you know.

Mr. FAIRCHILD. They have stolen the whole business in the same way. The net result in dollars and cents to the stockholders of that bank is the same. Of course when they have invested in common bonds they have their notes banked, because they have run away, and have done the same thing with the deposits. The notes stand there to get the United States bonds, but the capital and the stock and everything is gone.

Mr. BROSIUS. No; but the bonds are not gone, Mr. Fairchild, and therefore the note-holder is made whole.

Mr. FAIRCHILD. That I admit—that the note-holder is made whole; but every dollar that was put into that bank is gone.

Mr. BROSIUS. I do not see it in that way, because the bonds were paid for by a part of the capital, and that portion could not be gotten away.

Mr. FAIRCHILD. The only thing that remains at present is the difference between the premium on bonds and the amount of notes that they got.

Mr. BROSIUS. Whatever remains goes to the note-holders to pay the notes?

Mr. FAIRCHILD. Yes.

Mr. BROSIUS. The point that I make is that if a portion of that capital had not been invested in the bonds the whole thing would have been stolen, and neither note-holder nor depositor would have gotten anything.

NOTE-HOLDER SECURE.

Mr. FAIRCHILD. As far as the note-holder is concerned, we have provided for taking care of him as securely as he is taken care of now.

CANCELING SILVER CERTIFICATES—POPULAR USE OF COIN MONEY.

Mr. FOWLER. If the certificates—the ones, twos, and fives—were all canceled, and the silver was out at the end of a year, do you not think the people would be as well satisfied as they are now with the certificates? With California before you as an illustration, with Mr. Garnett, who lives there, refusing to sign the report recommending this bill, because he uses silver, and with the practices of Germany and France and other countries before you, do you not think that at the end of a year the people would be just as well satisfied with the silver as they would be now with the small certificates?

Mr. TAYLOR. I do not think so. They would take it if they had to.

Mr. McCLEARY. Would not that fact—the presence of the gold and silver in the hands of the people from day to day—be the best kind of an education in the other direction that you spoke of a while ago? Would it not be the best kind of an education as to what money really is?

Mr. TAYLOR. Well, it would be a good object lesson, but I do not think I am prepared to say it would be the best one.

The CHAIRMAN. Would not that be the only way to find out what the people want and to get their opinion of any currency system?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. Do you know of any other Government in the world that coins money and then itself issues paper representatives of it direct?

Mr. TAYLOR. I do not know that I ever heard of one.

The CHAIRMAN. Does not that contradict the whole theory of coinage?

Mr. TAYLOR. I think it does. I think it is an inconsistency in our system.

\* \* \* \* \*

The CHAIRMAN. Is it not a fact that a very large body of our people, children especially, who handle a large part of the money in taking it to stores, and the very large laboring population of the South, and the ordinary laboring men, can carry coin in their pockets with greater safety and less liability of loss than they can carry paper, and is it not also true that the paper often gets wet and crumples up and the germs of disease get in it, and everything of that kind? So, would it not be of great sanitary benefit and economic benefit in every way in protecting the people from loss to have all money, say under \$5, in coin?

Mr. TAYLOR. There is great force in that, Mr. Chairman, and I think our people would be better off if that could be brought about. I think they would be better off if they used more coin money. I may be telling tales out of school, but I will say that when this was under discussion in the commission I made a motion that the smallest paper bill should be \$3 as a compromise. I think the people would stand that, without much complaint. I believe if you would go to \$5 there would

be a great deal of complaint, but that if you say \$3 the people would not seriously complain, and perhaps in that way you could accustom them to the use of coin, and eventually they would allow \$5 to be the lowest denomination of paper money.

Mr. NEWLANDS. Do you not think that in this country there are a great many people who do not know that the silver is still in circulation through the silver certificates?

Mr. TAYLOR. I can not say that I have found any such people among my acquaintances.

Mr. NEWLANDS. I have met with a great many myself, and abroad I found that that was quite a general impression, that we had a great stock of silver here and that it was not utilized.

Mr. TAYLOR. That might be so. I can not say.

The CHAIRMAN. Whether that is so or not, not one man in a thousand, when he receives a bill, stops to see whether it is a bank note or a silver certificate, or what it is. Unless his attention is especially called to it, he does not notice it. There is no distinction; he thinks that it is all national-bank money.

Mr. TAYLOR. Very few people notice the difference, or think of the difference.

The CHAIRMAN. And they do not know that this coin is collateral for these silver certificates?

Mr. TAYLOR. Very few people think of that. That is one of the consequences of the greenback circulation. It has accustomed the people to take pieces of paper with pictures on them. That is all they notice.

The CHAIRMAN. Is it, then, your opinion that the general feeling of affection which the people seem to have for the greenbacks is because they want the paper money?

Mr. TAYLOR. No; not that merely; not because they want paper money merely. I think the affection of the people for the greenbacks is a peculiar patriotic instinct. The greenback is associated in their minds with the preservation of the Union.

The CHAIRMAN. And you think the majority of the people in the ordinary way of life draw the distinction between the greenback and the bank note, and so on?

Mr. TAYLOR. Not at all.

The CHAIRMAN. That is what I meant.

Mr. TAYLOR. No; not at all. In actual transactions I think men very rarely take notice of what kind of money they are handling.

#### BANKING IN AGRICULTURAL COMMUNITIES.

Mr. HILL. What is the purpose of section 12, providing for small banks?

Secretary GAGE. More particularly for agricultural communities. There is always a small business center somewhere in every sort of community.

Mr. HILL. Generally speaking, you now refer to agricultural communities, in which there would largely be agricultural loans?

Secretary GAGE. Very largely.

Mr. HILL. Do you believe it is possible for a national bank or any bank to be made a bank of issue with the facilities for prompt redemption which you have provided here, making agricultural loans against notes issued on demand?

Secretary GAGE. I think agricultural loans, properly made, are among the best loans in the world.

Mr. HILL. I know it, but can they be made as against demand issues of bank notes?

Secretary GAGE. They can, within reasonable range; yes, sir.

Mr. HILL. How is it possible for a bank, say, of \$25,000, situated in an agricultural community, to exchange its circulating notes for long-time agricultural notes and maintain redemption of its own notes?

Secretary GAGE. By "long-time agricultural notes" do you mean four or five year loans?

Mr. HILL. I mean six months, as against their own notes outstanding.

Secretary GAGE. I think they could.

Mr. HILL. In what way would they be able to do it?

Secretary GAGE. Because the community we are supposing is a community where the circulating capital is small, and as long as crops were in process of being gathered and brought to market, and the expenses connected with them being paid off, there would be a local use for any circulating medium which this bank would supply, and it would stay there until crops (which ought to be more or less varied in every community, and are more or less varied), would begin to go forward to market; and that generally happens four or five months before the following crop is sown and the expense incidental to raising that crop inaugurated. When the crop goes to market the fund would be found to redeem the notes. The notes would find their way to the redemption centers if the community owed more than the crops paid. Then the notes, like any other form of money, would go forward to settle the difference, and they would be redeemed. \* \* \* It is now an impoverishment of a community to start a national bank. Take a little community that can scarcely raise \$50,000 capital. What does the Government require of it? It requires, in the first place, \$25,000 of that to be sent to Wall street to buy bonds, and then it may, and as it may it must, because it is too poor not to do it, put these bonds up with the Treasurer of the United States, and for the \$25,000 of bonds, which have cost over \$30,000, it may get \$22,500 of its own notes—not Government notes, but its own notes—which it may have the privilege of loaning to the community. That is an impoverishment to the community, substantially, of 30 per cent on capital it had before it started the bank.

#### LARGE BANKS "CARRY" SMALL BANKS.

Mr. HILL. Do you think, in your experience as a banker, not as Secretary of the Treasury, that as a matter of fact the large reserve banks of the country do frequently have to carry the smaller banks?

Secretary GAGE. They do to a considerable extent.

Mr. HILL. Do you think, then, they would object to this credit-note system, as giving to the country banks a first lien upon all their assets for these reserve notes and thus imperiling their claims against the country banks?

Secretary GAGE. I do not think they would object on that ground at all, because they always make sure they themselves have a good lien on assets before they take care of the country banks.

#### BANKS PROTECT THEIR CUSTOMERS.

The CHAIRMAN. Is it not a fact that the minute a bank is threatened all the business community rush to increase their discounts and loans and deposits, and that that is what intensifies the panics so much, plus the drawing out of deposits?

**Mr. FAIRCHILD.** You mean it tends to borrowing of more money?  
**The CHAIRMAN.** Yes; they want to increase their loans and discounts.

**Mr. FAIRCHILD.** Yes; they do that.

**The CHAIRMAN.** Banks then say, "We can not increase your loans, but we will take care of you;" and saying that all over the country checks the panic. That is true, is it not?

**Mr. FAIRCHILD.** Yes.

#### BONDS KEPT UP IN PRICE.

**Mr. FAIRCHILD.** In getting up this plan the policy we pursued in the commission—

**The CHAIRMAN.** That is exactly what I want to get at.

**Mr. FAIRCHILD** (continuing). Was to propose something which we thought would be complete and useful and workable, if adopted by Congress. We considered two lines. First, whether we should attempt to frame something which we thought would meet the views of any particular Congress, looking to the make-up and the general views of Congress. And the other consideration was whether we should proceed solely without reference to that, but to get something that we believed would be beneficial if enacted, leaving out of view entirely the probabilities of its enactment. We concluded to adopt the latter course, believing it was not our province to take into consideration the temper and disposition of Congress, so we have proceeded not on the question of policy of passing a bill, but on the question of the general policy if a bill were passed.

**Mr. WALKER.** The changes proposed in any bill would be agreeable should it involve no practices or conditions that had not proven to be wise in the actual practice of banking, and correct those practices found to be unwise!

**Mr. FAIRCHILD.** Certainly; \* \* \* any one of these measures, or all of them combined, which will accomplish the general result is perfectly satisfactory to that commission. \* \* \*

**Mr. SPALDING.** In the event of the success of the monetary commission's plan, would it have any effect on the price of the bonds of the United States Government, in your opinion; and if so, why?

**Mr. FAIRCHILD.** We tried to graduate that. Getting at the amount held, and looking at the way bonds were held among the banks, we fixed the amount of 25 per cent of the capital in that way, with a view of having it have as little effect as possible on the rise or fall of bonds.

**Mr. SPALDING.** What effect, in your opinion, would there be in the adoption or the passing of a law in which the bonds were not used as a security for the circulating medium at all?

**Mr. FAIRCHILD.** Oh, it might affect their price a little. I doubt if it would affect it much now; perhaps 1, 2, or 3 per cent. I do not know about that.

**Mr. WALKER.** Your bill is of such a nature that you claim it would not very materially affect the price of bonds. If it had any tendency, it would make them higher, would it not?

**Mr. FAIRCHILD.** Possibly a little; but looking at the distribution of the bonds, we fixed the amount first at 30 per cent, and then reduced it to 25 per cent on that ground.

**Mr. WALKER.** Then the requirement to purchase bonds in order to get currency has a tendency to make bonds higher priced?

**Mr. FAIRCHILD.** That would be the tendency.

## INTERINDEBTEDNESS OF THE UNITED STATES.

**Mr. WALKER.** I will now ask a question on a different line. It is assumed that banks are not a help to the people because they increase their indebtedness; that is to say, we hear the proposition stated on the floor of the House and other places that indebtedness is an indication of poverty. I want you to look at this table [handing him a table]. I have taken great pains by correspondence and otherwise, and by my own estimates and estimates which I have obtained from others, and by the authorities given, to state the total sum of indebtedness.

*Table showing the indebtedness of the United States in 1892, prepared by Hon. J. H. Walker, chairman of Committee on Banking and Currency.*

Census of 1890, assessed valuation: Assets of the country, real and personal property .....	\$25,000,000,000
Secretary of Treasury:	
Gold and silver coin .....	1,200,000,000
Total .....	<u>26,200,000,000</u>
National debt less cash in Treasury .....	852,000,000
Census of 1890:	
State debt less sinking fund .....	223,000,000
County debt less sinking fund .....	142,000,000
Town and city debt less sinking fund .....	470,000,000
Porter: School-district debt .....	38,000,000
Poor's Manual, railroad indebtedness:	
Funded debt .....	5,106,000,000
Unfunded debt .....	376,000,000
Current debt .....	271,000,000
New York Financial Review, 1890: Miscellaneous stocks and bonds .....	582,000,000
Farm mortgages .....	1,086,000,000
Home mortgages .....	1,047,000,000
Other town and city property mortgages .....	3,887,000,000
Estimated debts of merchants .....	5,000,000,000
Debts of individuals and families .....	400,000,000
Comptroller of the Currency:	
Deposits in mutual savings banks .....	1,402,000,000
Deposits in stock savings banks .....	252,000,000
Deposits in private savings banks .....	95,000,000
Deposits in loan and trust companies .....	353,000,000
National banks .....	1,588,000,000
State banks .....	557,000,000
New York Daily Commercial Bulletin:	
Annual fire-insurance losses, \$125,000,000; life of policy, three years .....	375,000,000
Marine insurance .....	50,000,000
Life insurance in force .....	3,543,000,000
Industrial business insurance .....	313,000,000
Benevolent associations and fraternal orders .....	6,000,000,000
Interindebteddness in the country .....	<u>34,208,000,000</u>

**INTERINDEBTEDNESS AN EVIDENCE OF INTEGRITY AND WEALTH.**

**Mr. WALKER.** Is it not generally held by economists, Mr. Fairchild, that the interindebtess of a people, at a low rate of interest, instead of being an evidence of poverty or of hard conditions, is one of the most certain indications known of the average integrity, education, wisdom, and wealth of its people?

**Mr. FAIRCHILD.** It is.

**Mr. WALKER.** As the integrity, education, wealth, and peaceful conditions are measured, the use of paper money proportionately increases, and that of coin decreases. Is not that true?

**Mr. FAIRCHILD.** Well, I would not like to say that quite so broadly. The use of paper is another advance in more perfect civilization and the economy of capital, in my judgment, and the greater the faith of people one in another, the higher the civilization will be; and all these conditions you have spoken of tend to produce that faith.

**Mr. WALKER.** Except for our war of disunion, we have had peace practically since the war of 1812—and that was not much of a war—while in France the Government has been constantly overturned, and a feeling of unrest has existed there; and England is in a state of war. They are engaging in some kind of a war nearly all the time, and you know what the conditions have been in Germany; while in Scotland, Canada, and this country there has been comparative peace. My question involves the fact of the people's condition. In view of all the facts, do not the paper money and assured peace go together?

**Mr. FAIRCHILD.** I should think they did.

*Transition from present system to the Hill-Fowler system and the Walker system.*

If all the national banks in the United States should transfer into the system provided for in the Hill-Fowler bill (H. R. 10289) or into the system provided for in the Walker bill (H. R. 10333), the results as to circulation would be as follows:

**HILL-FOWLER BILL.**

(a) Cities of 10,000 population and over (25 per cent of paid-in capital, \$451,147,525).....	\$112,786,881
(b) Places under 10,000 population (25 per cent of paid-in capital, \$180,340,570).....	45,085,142
Total national reserve notes that would be issued.	<u>157,872,023</u>

**WALKER BILL.**

In national banks alone:

(c) Cities of 10,000 population and over (12½ per cent of true capital—capital, surplus, and undivided profits—\$712,955,136) .....	89,119,392
(d) Places under 10,000 population (12½ per cent of the capital, \$253,284,959).....	31,660,620
Total "greenbacks" that would be exchanged .....	120,780,012
All State banks required to assume United States notes.	<u>47,290,873</u>
Total United States notes exchanged.....	<u>168,070,885</u>

Under the Hill-Fowler bill banks are required to buy and pay United States legal notes for purely a bank note to the amount of 25 per cent of their paid-in capital, and they get no right whatever to issue any notes other than those they buy.	
Amount as above .....	\$157,872,023
Under the Walker bill national banks and commercial State banks are required to exchange lawful money for a new issue of "greenbacks," with their own note printed on the back of them, to the amount of 12½ per cent of their actual capital—total .....	168,070,885
And can issue currency against their assets to an equal amount .....	168,070,885
Total currency under Walker bill.....	336,141,770

*Percentage to capital, surplus, and undivided profits of—*

	In central reserve cities.	In other reserve cities.	In cities of 10,000 popula- tion and over, not including reserve cities.	In places un- der 10,000 pop- ulation.	Total banks outside reserve cities.	Total esti- mated defi- ciency of banks.
1. Individual deposits *	289. 89	202. 66	162. 45	162. 45	162. 3	38. 09
2. Cash reserve required	107. 08	31. 08	.....	.....	9. 4	2. 28
3. Bonds required under the Hill-Fowler bill	2. 4	5. 5	.....	.....	14. 4	25
4. United States notes to be paid in under the Hill-Fowler bill	12. 8	16. 5	16. 7	17. 8	17. 1	25
5. United States notes assumed under the Walker bill	12. 5	12. 5	12. 5	12. 5	12. 5	12. 5
6. Percentage of national reserve notes required to the percentage of cash reserve required under Hill-Fowler bill	11. 95	53. 0	.....	.....	182. 6	1, 096. 4

\* Does not include deposits of banks in other banks.

*\$100,000-capital banks.*

Profit on currency under various bills.	On the 80 per cent of currency in circulation, 6 per cent.	On the 80 per cent Depletion of capi- tal in taking out the currency.
McCleary bill (H. R. 9725) .....	1.349	\$28,389.00
Hill-Fowler bill (H. R. 10289) .....	1.186	45,422.20
Under the commission bill (No. 6855) .....	1.775	26,333.89
Under the Gage bill (No. 5181) .....	0.504	80,000.00
Under the Fowler bill (No. 50) .....	1.738	100,000.00
Under the Walker bill (No. 3333) .....	5.153	.....
Under the existing law .....	Loss—0.642	100,000.00

## HILL-FOWLER BILL (H. R. 10289.)

*Profit on national-bank note circulation to banks with \$100,000 capital.*

Locality.	Class of bonds.	Cost of bonds, United States 4's of 1907, January 1, 1898, at 113.6355 (2½ per cent investment).	Max. loanable funds.	Receipts.		Expenditures.			Net receipts.	Interest on \$100,000 capital.	Amount.	Per cent.	Profit on circulation.
				Interest on total loanable funds, less \$20,000 idle, \$6,000 redemption fund, \$5,000 guarantee fund.	Gross receipts.	Tax, 6 per cent on \$20,000, one-fourth of 1 per cent on capital.	Ex- penses.	Sinking fund to liquidate premium paid on bonds.					
4 per cent	4's of 1907	\$45,422.20	\$100,000	\$154,577.80	\$1,600	\$6,683.11	\$62.50	\$416,928.50	\$4,654.61	\$4,000	\$854.61	0.655	
6 per cent	4's of 1907	45,422.20	100,000	154,577.80	7,474.67	9,074.57	62.50	376,1,888.50	7,188.17	6,000	1,188	1.188	
8 per cent	4's of 1907	45,422.20	100,000	154,577.80	9,966.22	1,660	11,966.22	1,450	331,1,813.50	9,722.72	8,000	1,722.72	1.723
10 per cent	4's of 1907	45,422.20	100,000	154,577.80	12,457.78	1,600	14,057.78	1,450	280,1,792.50	12,286.28	10,000	2,286.28	2.286

Table made at request of Mr. Walker, based upon details furnished by him (H. R. 10289).

MAY 20, 1898.

Jos. S. MCCOY, *Government Actuary.*

## McCLEARY BILL (H. R. 9725).

*Profit on national bank note circulation to banks with \$100,000 capital.*

Locality.	Class of bonds.	Cost of bonds, United States 4 1/2 of 1867, January 1, 1888, at 113.6555 (2 1/4 per cent investment).	Max. amount circulation.	Receipts.			Expenditures.			Net receipts.	Interest on \$100,000 capital.	Amount.	Profit on circulation.
				Interest on total loanable funds, less \$20,000 idle, \$5,000 redemption fund, \$5,000 Gentry fund.	Interest on bonds.	Gross receipts.	Tax 2 per cent on \$20,000, 6 per cent on \$20,000, one-fourth of one per cent tax on capital.	Sinking fund to liquidate premium paid on bonds.	Total.				
4 per cent . . . . .	4 1/2 of 1867	\$25,389	\$100,000	\$171,611	\$b. 664.44	\$1,000	\$8,664.44	\$1,850	\$62.50	\$260,921.172.50	\$4,491.94	0.492	
6 per cent . . . . .	4 1/2 of 1867	25,389	100,000	171,611	6,496.66	1,000	9,196.66	1,850	62.50	235,2147.50	6,000	1.349	
8 per cent . . . . .	4 1/2 of 1867	25,389	100,000	171,611	11,328.88	1,000	12,928.88	1,850	62.50	207,2118.80	8,000	2.209	
10 per cent . . . . .	4 1/2 of 1867	25,389	100,000	171,611	14,161.10	1,000	15,161.10	1,850	62.50	175,2087.80	10,000	3.073.80	

Above please find computations made in accordance with your instructions.

MARCH 25, 1898.

J. S. MCCOY, Government Actuary.

*Figures of banking funds, copied from the Comptroller's report for 1897, and estimates of probable increase.*

[Report of Comptroller of Currency, 1897, Vol. I, pp. 385, 387, 444, 559.]

	Capital.	Capital, surplus, and profits.	Deposits.
National banks .....	\$ 631,488,095	\$966,240,096	\$1,853,349,128
State banks .....	228,677,088	331,036,112	723,640,795
Add 12½ per cent of State banks failing to report .....	a 32,668,155	a 47,290,873	a 103,377,257
Total .....	892,833,338	1,344,567,081	2,680,367,180
Probable increase (25 per cent) .....	223,208,334	366,141,770	670,091,795
Total .....	1,116,041,672	1,680,708,851	3,350,458,975
	Cash reserve required.	Cash reserve held.	Total reserve required.
National banks .....	\$287,741,796	\$388,882,631	\$452,538,033
State banks .....	a 112,480,000	152,000,000	a 176,928,000
Add 12½ per cent of State banks failing to report .....	a 17,060,000	a 19,000,000	a 22,116,000
Total .....	417,281,796	559,882,631	651,582,033
Probable increase (25 per cent) .....	a 104,320,449	a 139,970,658	a 162,895,508
Total .....	521,602,245	699,853,289	814,477,541

*a* Estimated.

The items as to "reserves" being given for all the national banks in the United States, and using that of "cash reserve held" as a base for calculation of percentages, it is assumed that the ratio of difference for like items as to State banks not given in the official report bear proportionately the same relation to each other as for the national banks.

*Table showing loss of banking funds in nine States under existing conditions in 1897 as compared with 1860.*

TABLE A.—NINE STATES IN WHICH BANKING WAS FAIRLY WELL DEVELOPED IN 1860.

States.	1897 per capita.				1860 per capita.				Difference in 1897.	Population, 1897.	Loss in amount of banking funds in 1897 at the per capita of 1860.
	Capital.	Deposits.	Currency.	Total.	Capital.	Deposits.	Currency.	Total.			
Alabama.....	\$2.00	\$3.65	\$0.63	\$6.28	\$5.08	\$5.03	\$7.75	\$11.86	\$11.58	1,675,000	\$18,396,500
Georgia.....	1.56	3.21	.43	5.20	15.78	4.48	8.32	28.58	23.38	2,090,000	48,864,200
Kentucky.....	4.63	6.54	1.72	12.89	11.10	4.90	11.70	27.70	14.81	1,887,000	27,946,470
Louisiana.....	.87	1.93	.24	3.04	34.60	27.93	16.35	78.88	75.84	992,000	75,233,280
Missouri.....	1.55	3.26	.42	5.23	7.68	2.84	6.67	17.19	11.96	2,427,000	29,026,920
North Carolina	1.52	3.00	.36	4.88	6.67	1.50	5.64	13.81	8.93	1,780,000	15,895,400
South Carolina	1.48	2.73	.35	4.56	21.26	5.92	16.31	43.49	38.93	1,280,000	49,830,400
Tennessee.....	4.55	8.95	.80	14.30	7.27	3.89	4.99	16.15	1.85	1,924,000	3,559,400
Virginia.....	2.63	8.68	1.12	12.43	10.02	4.84	6.14	21.00	8.57	1,768,000	15,191,760
<b>Total.....</b>										<b>15,823,000</b>	<b>283,944,330</b>

Average loss in banking funds, per capita, in 1897 over 1860.....

\$17.94+

TABLE B.

Assuming that the use of banking funds in 1897, that is to say, capital, deposits, and currency, would be one-quarter more in volume than in 1860, the slaves being free, the following sums should be added for each State named:

State.	Amount.	State.	Amount.
Alabama .....	\$7,478,875	South Carolina .....	\$13,916,160
Georgia .....	14,933,050	Tennessee.....	7,767,188
Kentucky .....	13,067,475	Virginia .....	9,282,000
Louisiana .....	4,054,304		
Missouri.....	10,348,819	Total .....	86,992,431
North Carolina .....	6,144,560		

TABLE C.

Assuming that the slaves being free to-day would add one-quarter to the use of banking funds, the amount of such funds that would be in use in the following nine States, providing that the freedom of issuing currency enjoyed by State banks in 1860 had continued until to-day, would probably be as follows:

State.	Population in 1897.	Actual loss in amount of bank- ing funds in 1897, at the per capita of 1860.	Natural in- crease, with slaves free, should show one-quarter more.	Total.
Alabama .....	1,675,000	\$18,396,500	\$7,478,875	\$25,872,375
Georgia .....	2,090,000	48,864,200	14,933,050	63,797,250
Kentucky .....	1,887,000	27,946,470	13,067,475	41,013,945
Louisiana .....	992,000	75,233,280	4,054,303	79,287,584
Missouri .....	2,427,000	29,026,920	10,348,819	39,375,739
North Carolina	1,780,000	15,895,400	6,144,560	22,039,960
South Carolina .	1,280,000	49,880,400	13,916,160	63,746,560
Tennessee .....	1,924,000	3,559,400	7,767,188	11,326,588
Virginia.....	1,768,000	15,191,760	9,282,000	24,473,760
Total.....	15,823,000	283,944,330	86,992,431	370,933,761

TABLE D.—ESTIMATED DEFICIENCY OF BANKING FUNDS IN THE FOLLOWING STATES IN 1897 AS COMPARED WITH 1860.

[Capital and deposits of State banks—see Comp. Currency, 1897, vol. 1, p. 578.]

States.	Estimated capital.	Capital of State banks.	Estimated deposits.	Deposits of State banks.	Estimated currency.
Alabama.....	\$10,866,397	\$1,022,360	\$4,139,580	\$951,609	\$10,866,397
Georgia.....	26,844,845	5,150,612	10,107,560	6,389,932	26,844,845
Kentucky.....	11,225,857	22,402,014	6,562,231	26,008,521	17,225,857
Louisiana.....	33,300,785	703,336	12,686,013	994,149	33,300,785
Missouri.....	16,537,810	15,452,036	6,300,918	31,833,369	16,537,810
North Carolina.....	9,256,783	2,541,582	3,526,393	3,412,841	9,256,783
South Carolina.....	28,773,555	1,166,995	10,199,449	1,251,674	26,773,555
Tennessee.....	4,757,167	3,107,490	1,812,254	5,211,765	4,757,167
Virginia.....	10,278,979	8,379,932	3,915,801	15,078,803	10,278,979
Total.....	155,812,178	60,926,357	59,250,199	90,132,663	155,842,178
SUMMARY.					
Estimated capital.....				\$155,842,178	
State bank capital.....				60,926,357	
Estimated currency.....				.....	\$94,915,821
.....				.....	155,842,178
State bank deposits.....				90,132,663	250,757,999
Estimated deposits.....				59,250,199	30,882,464
Estimated net loss of banking funds in the nine States.....					219,875,535

*Fifteen States in which banking was undeveloped in 1860, and in which the deficiency in banking funds per capita was probably as large in 1897 as in the nine States above noted.*

States.	Population, 1897.	States.	Population, 1897.
Arkansas.....	1,360,000	Nevada .....	45,000
California .....	1,155,000	South Dakota .....	387,000
Colorado .....	517,000	Texas.....	2,698,000
Florida .....	496,000	Utah .....	272,000
Idaho .....	151,000	Washington .....	468,000
Kansas .....	1,342,000	Wyoming .....	86,000
Mississippi .....	1,444,000		
Montana .....	225,000	Total population .....	11,791,000
Nebraska .....	1,145,000		

Estimated deficiency in banking funds in these fifteen States, as shown to be in the nine States, in 1897 .... \$211,530,540  
 Deficiency in nine States above ..... 283,944,330

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Total deficiency in 24 States ..... 495,474,870

*Number and value of slaves in 1860 (average value estimated at \$500 per head) in the nine States following.*

State.	Number of slaves in 1860.	Value at \$500 per head.	Assessed value of personal property in 1860. <sup>1</sup>	Assessed value of personal property in 1890. <sup>2</sup>
Alabama .....	435,080	\$217,540,000	\$277,164,673	\$104,273,091
Georgia .....	111,115	55,557,500	438,430,946	190,774,030
Kentucky .....	225,483	112,741,500	250,287,639	170,807,996
Louisiana .....	331,726	165,863,000	155,082,277	74,700,905
Missouri .....	114,931	57,465,500	113,485,274	288,116,597
North Carolina...	331,059	165,529,500	175,931,029	93,231,742
South Carolina...	402,406	201,203,000	359,546,444	78,219,946
Tennessee .....	275,719	137,859,500	162,504,020	89,887,380
Virginia .....	490,865	245,432,500	239,069,108	208,700,236
Total.....	2,718,384	1,359,192,000	2,171,501,410	1,298,711,923

<sup>1</sup>Census 1860, p. 294, Mortality and Miscellaneous Statistics.

<sup>2</sup>Census 1890, part 2, Wealth, Debt, and Taxation, p. 102.

Personal property per capita in 1860, deducting value of slaves.	\$85.78
Personal property per capita in 1890, slaves free .....	85.44
Population in 1860, 9,469,634. Population in 1890, 15,199,370.	
Total capital, surplus, and undivided profits in places under 10,000 population .....	\$253,284,959
Circulation .....	70,427,647
Deposits .....	411,476,864
 Total banking funds .....	 735,189,470
 Capital actually paid in .....	 180,340,570
 Population in places under 10,000 .....	 41,840,776
Deduct people served by banks in cities of 10,000 population or more .....	10,390,737
	31,450,039
National banking funds per capita, to serve people living in places of less than 10,000 population, \$23.38.	
Total capital surplus and undivided profits in cities of 10,000 population or more.....	\$712,955,136
Circulation .....	128,493,023
Deposits .....	1,441,872,264
 Total national banking funds .....	 2,283,320,423
 Capital actually paid in in cities of 10,000 population or more .....	 451,147,525
 Population in cities of 10,000 and over .....	 20,781,474
One-half as many again served by banks in above cities.	10,390,737
 Probable population served by such banks .....	 31,172,211
Banking funds per capita for cities of 10,000 inhabitants or over, \$73.25.	

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### CLEARING HOUSE OF WORCESTER, MASS.

#### CONSTITUTION.

The banks in the city of Worcester, having associated on March 5, 1861, for the purpose of effecting a more perfect and satisfactory settlement of the daily balances between them, deeming it advisable to adopt a more permanent and formal organization, hereby agree upon the following

#### ARTICLES OF ASSOCIATION.

SECTION 1. The name of the association shall be the Worcester Clearing House.

SEC. 2. The objects of the association are the effecting, at one place and one time, of the daily exchanges between the several associated banks, and the payment, at the same time and place, of the balances resulting from such exchanges; the promotion of a general uniformity

of action among the banks; and the cultivation of honorable and friendly relations among the members.

SEC. 3. Each bank belonging to the association may be represented by its president and cashier, both of whom shall be entitled to vote, as the members of the association, at all meetings thereof.

SEC. 4. The annual meeting shall be held at the clearing house on the second Monday in October, in each year, when a chairman and secretary shall be chosen, by ballot, who shall hold their offices for one year, and until others are chosen in their stead; and whenever, at any meeting, either of them shall be absent, a chairman or secretary pro tempore shall be chosen.

SEC. 5. At every annual meeting there shall also be chosen, by ballot, a standing committee of three (not more than one member of the committee from any one bank), to be called the clearing house committee, who shall hold their offices for one year, and until others are chosen in their stead, whose duty it shall be to procure suitable accommodations for the clearing; to provide proper books, stationery, and whatever else may be necessary for the convenient transaction of the business; to ascertain and advise the banks as to their duties and liabilities in case of any doubtful construction of the State or United States laws relating to banks and banking; to investigate and report to the association upon any matters affecting the banking interests, and, generally, to supervise the whole business and interests of the association. Any vacancies which may occur in the committee during the year may be filled at any meeting of the association.

SEC. 6. The cashier of the clearing bank shall be the manager of the clearing, and the settling clerks shall be under his direction while at the clearing house. The hour for making the exchanges shall be at 12 o'clock m. Errors in the exchanges and claims arising from the returns of checks or other cause, are to be adjusted directly between the banks which are parties therein and not through the clearing house.

SEC. 7. Each bank belonging to the association shall deposit with the clearing house committee its proportion of a clearing fund. The proportionate deposit of each bank shall be decided by vote of the association. The clearing fund shall be deposited with the clearing bank, free of interest, as a compensation for services rendered, and for the payment of all necessary expenditures of the association. On making its deposit each bank shall receive a certificate therefor, signed by the clearing house committee and countersigned by the manager. No bank shall make the clearings of a bank which is not a member of the association.

SEC. 8. No new bank shall be admitted to the association excepting on the recommendation of the clearing-house committee and by a vote of three-fourths of the members; and no bank shall withdraw without giving six months' notice of such intention to the manager of the clearing house.

SEC. 9. For cause deemed sufficient by the associated banks, at any meeting thereof, any bank may be expelled from the association and debarred from all the privileges of the clearing house by a vote of three-fourths of the members.

SEC. 10. These articles of association shall be signed by the members thereof and by new members hereafter admitted; they may be amended by a vote of two-thirds of the members at any meeting of the association, provided that notice of the proposed amendment shall have been given in writing at a previous meeting and lodged with the secretary.

SEC. 11. The secretary shall notify all meetings by giving notice

in writing to each of the associated banks; and he shall convene the association whenever requested to do so by any member.

NOTE.—Population, 115,000; capital of clearing house, \$10,500; banks of \$250,000 capital or less loan the clearing house \$1,000; those having over \$250,000 capital loan the clearing house \$1,500 free of interest.

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H. R. 10339.—FIFTY-FIFTH CONGRESS, SECOND SESSION.

IN THE HOUSE OF REPRESENTATIVES,

MAY 16, 1898.—*Mr. Walker, of Massachusetts, introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed.*

A BILL To so change the national-bank act as to secure to the people in all sections of the country an equal opportunity to freely use paper money.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That hereafter banking associations shall not be required, "preliminary to the commencing of the banking business," or in continuance thereof, to "transfer and deliver to the Treasurer of the United States," or as security for circulating notes, any United States bonds; and any national banking association that has transferred and delivered such bonds to the Treasurer may recover such bonds from the Treasurer upon complying with the conditions prescribed for the reassignment of such bonds to associations in liquidation; and the Treasurer of the United States is hereby authorized and directed to reassign and deliver such bonds to the association from which he received them upon being notified by the Comptroller of the Currency that such association is in compliance with this section of this Act.*

SEC. 2. That any banking association organized under the laws of any State that shall place on deposit in any banking association in the largest commercial city in the State in which the association is located, or in any other place acceptable to the Comptroller of the Currency, an amount of specie equal to five per centum of its circulating notes that it averages to have in actual circulation for the redemption on demand of such notes, and shall also have in its own vaults, in addition to the amount hereinbefore mentioned, an amount of specie equal to five per centum of its average individual deposits, thereupon the imposition and the collection of the ten per centum tax on the circulating notes of banking associations organized under the laws of any State shall be suspended, so far as they relate to such banking association: *Provided, however, That in case such banking association fails to keep good, as averaged for any month, any part of the total amount of specie as is herein required it shall be liable to and shall pay into the Treasury of the United States a tax equal to ten per centum per annum on an amount equal to the amount of the average deficit in such fund or funds for such month.*

SEC. 3. That whenever any association fails to pay on demand in specie the circulating notes signed by its officers and paid out by it, it shall be subject to and shall pay a duty at the rate of two per centum per annum, one-half on July first and one-half on October first, on a sum equal to the average amount of its circulating notes outstanding and of the individual deposits in such association during such failure

and until such payment is resumed: *Provided, however,* That in case any such association pays one-half of the tax herein imposed on or before the day it is due and payable, the other half shall be, and is hereby, remitted.

SEC. 4. That each association shall keep such records and send to the Comptroller of the Currency such reports and submit to such examinations by any agent of the Comptroller, to ascertain whether the association is in compliance with law and the amount of tax due and payable by it, as the Comptroller of the Currency shall from time to time direct, and the expenses of such examination shall be paid by such association.

## H. R. 10333.—FIFTY-FIFTH CONGRESS, SECOND SESSION.

### IN THE HOUSE OF REPRESENTATIVES.

MAY 13, 1898.—*Mr. Walker, of Massachusetts, introduced the following bill; which was referred to the Committee on Banking and Currency and ordered to be printed.*

A BILL To so change the national-bank Act as to secure to the people in all sections of the country an equal opportunity to freely use paper money.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That hereafter banking associations shall not be required, "preliminary to the commencing of the banking business," or in continuance thereof, to "transfer and deliver to the Treasurer of the United States," or as security for circulating notes, any United States bonds; and any national banking association that has transferred and delivered such bonds to the Treasurer, upon depositing lawful money, in compliance with section two of this Act, may recover such bonds from the Treasurer upon complying with the conditions prescribed for the reassignment of such bonds to associations in liquidation; and the Treasurer of the United States is hereby authorized and directed to reassign and deliver such bonds to the association from which he received them upon being notified by the Comptroller of the Currency that such association is in compliance with section two of this Act; and in place of United States bonds, as heretofore required, banking associations shall deposit lawful money in amount sufficient to take out the United States legal-tender circulating notes described in section two; and the taking out of such notes is hereby required of such associations preliminary to the commencing of the banking business.*

In places of less than four thousand inhabitants, with the permission of the Comptroller of the Currency, banking associations may be organized with a paid-up capital of not less than twenty-five thousand dollars.

The word capital as used in this Act shall be held to mean the sum of the nominal capital plus the surplus and undivided profits of associations, and as shown by the last published annual report of the Comptroller of the Currency when such items concerning the bank in question are published in such report.

SEC. 2. That upon the delivery of coin, coin certificates, or United States legal-tender notes, including Treasury notes, to the Treasurer of the United States in sums of one hundred dollars or any multiple thereof, and in amount equal as near as may be to twelve and one-half

per centum of its capital, thereupon it shall be entitled to receive from the Comptroller of the Currency United States legal-tender notes of different denominations, having printed on their reverse side the circulating note of the association, in blank, registered and countersigned as provided by law, equal in amount to the coin, coin certificates, and United States legal-tender notes, including Treasury notes, delivered; and any association may at any time increase such delivery of such moneys to an amount equal to one-half of its capital, and receive such circulating notes thereon to the amount of such delivery of such money.

The promise of the association receiving and issuing such notes to pay the same on demand shall be attested by the signature of the president or vice-president and cashier or assistant cashier before being issued by it.

The Secretary of the Treasury is hereby authorized to issue United States legal-tender notes of the Act of March third, eighteen hundred and sixty-three, to the amount necessary to carry into effect the provisions of this Act.

The lawful name and description of the notes issued under this section shall be greenbacks.

SEC. 3. That the Comptroller of the Currency shall issue, in blank, circulating notes of different denominations, to any association, and the association may issue the same in addition to the greenbacks described in the preceding section equal in amount to the amount of the greenbacks taken out by it until the setting aside of the gold in the Treasury of the United States to redeem certain legal-tender notes as described in the section next succeeding. Thereafter he shall issue to any association, and the association may retain and issue, the notes described in this section at his discretion, but not less in amount than the amount of the greenbacks taken out by such association, and not less in amount than twenty-five per centum in excess of the amount upon which a tax was assessed and paid in the two years next preceding, and not to exceed in amount the amount of its unimpaired capital. Each association taking out the notes described in this section shall add to its current redemption fund and keep therein a sum in lawful money equal in amount to five per centum of such notes it averages to keep in circulation as found from time to time; such five per centum, together with the five per centum mentioned in the next section, shall be held for the redemption of its greenbacks and notes issued to it under this section.

That the lawful name and description of notes issued under this section shall be currency.\* All currency shall have printed on its reverse

* Net assets of national and State banks, in capital, surplus, and undivided profits.....	\$1,350,000,000
All kinds of paper money in circulation.....	1,095,377,992

Profits to bank on currency under existing law and conditions, about one-fourth of 1 per cent.

As all taxes except one-fifth of 1 per cent, safety fund tax, are removed, the average profit, taking the country over, under this bill, on the currency kept out, would be about 6 per cent. Nothing is gained on the greenbacks and 6 per cent on the reserve notes.

The currency issued is not "reserve certificates." It is in no sense "issued against the reserve held." They hold exactly the same relation to the "reserve held" as any other liability of the banks. For each \$95 of old issue of greenbacks that are redeemed and destroyed, \$100 of new greenbacks are issued and \$100 of currency, making \$200 of currency for each \$95 retired.

side the statement that it is to be finally redeemed and paid by the Treasurer of the United States. The Comptroller of the Currency may cause a supply of currency and of greenbacks to be printed for associations in anticipation of immediate delivery to them.

SEC. 4. That the Treasurer of the United States shall forthwith redeem and destroy existing United States legal-tender notes issued under Acts passed before July first, eighteen hundred and ninety, and put in circulation previous to the passage of this Act, in such manner as he may deem proper, equal in amount to ninety-five per centum of the aggregate of the coin, coin certificates, and United States legal-tender notes, including Treasury notes, received for greenbacks issued to banking associations; and the Treasurer shall set aside five per centum of such aggregate, which, together with the five per centum mentioned in the previous section, shall be held for the current redemption of the greenbacks and currency of the association making such deposit.

When there shall be no more in amount of United States legal-tender notes outstanding issued before July first, eighteen hundred and ninety, than the amount of the gold then held by the Treasurer that may be used for the redemption of such notes, the gold so held shall then be set aside by the Treasurer of the United States and used only to redeem such notes, which notes upon being so redeemed shall be destroyed;\* and from and after thirty days from the setting aside of gold herein mentioned such notes shall not be used by any banking association in redeeming its notes, or be counted in the reserve fund of any national banking association, or be a legal tender for any debt due and payable in the United States excepting for duties due and payable on goods imported into the United States.<sup>†</sup>

That upon the setting aside of the gold herein directed, a sum of money equal in amount to all moneys subsequently paid into the Treasury of the United States in exchange for greenbacks shall be held in the Treasury as a separate fund, out of which the Treasurer shall, from time to time, redeem greenbacks held by certain associations in amount and manner as follows, to wit:

When such funds shall amount to one per centum of the total amount of greenbacks taken out under this Act by associations before the set-

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*Outstanding United States legal-tender notes .....	\$346, 000, 000
Gold redemption fund in Treasury in February, 1896...	146, 000, 000

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Total legal-tender notes to be assumed by banks .. 200,000,000 to relieve the situation. Thus, when the banks have assumed the current redemption of only \$200,000,000 of legal-tender notes, the Treasury will be wholly relieved from paying gold on any form of paper money, and it will be a matter of as much indifference what the Government pays out as in the case of any private citizen.

Visible gold on January 1, 1899:

In United States Treasury.....	\$246, 973, 000
In national banks .....	266, 464, 000
In State banks, trust companies, etc. (estimated) .....	266, 000, 000

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Total commercial gold ..... 779, 437, 000

<sup>†</sup>This provision is designed to bring legal-tender notes into the Treasury for redemption.

ting aside of gold and then held by them, or oftener, he shall call in, redeem, and cancel such greenbacks so held that are in excess of the total amount of such notes issued to banking associations and held by them, previous to the setting aside of gold, and in amounts of one hundred dollars or any multiple thereof. He shall first reduce the amount of such greenbacks to those associations which hold the largest amount of greenbacks in proportion to their capital, if requested by them so to do, and until the holdings of such greenbacks by all associations have been reduced to the sum required to be taken out by them; and he may require any association to increase its holdings of greenbacks in sums of one hundred dollars or any multiple thereof when the increase of its capital makes its holdings of greenbacks less in percentage than is required by this Act. Thereafter the taking out and the holdings of greenbacks by any association shall be reduced so as to keep the total amount of greenbacks held by the aggregate of all associations as near as may be at the aggregate amount of greenbacks so held by all associations at the time of the setting aside of gold herein mentioned.

Two years from the day of the setting aside of the gold in the Treasury to redeem certain legal-tender notes any gold so set aside then remaining shall be free money in the Treasury.

SEC. 5. That upon the expiration of the corporate term of any association, if its corporate existence is not extended by the Comptroller of the Currency, or upon the insolvency of an association, or by the order or with the consent of the Comptroller, approved by the Secretary of the Treasury, the Treasurer shall redeem the greenbacks issued to the association, out of any moneys in the Treasury not otherwise appropriated.

Any association may reduce its currency by surrendering it for destruction to the Comptroller of the Currency, who shall destroy the currency so surrendered in the manner prescribed by law. The liability of any association for its currency shall neither be canceled nor reduced in any other manner.

SEC. 6. That each association shall keep good with the Treasurer of the United States and he shall at all times keep and have on deposit in the Treasury of the United States, in lawful money, except as hereinafter provided, for the current redemption fund of each association during its solvency, a sum equal to the five per centum before mentioned of the greenbacks and average outstanding currency of the association, to be held and used for the current redemption of its greenbacks and currency; and no part of such redemption fund shall be counted as a part of the reserve of any bank; and when the notes of any association, assorted or unassorted, shall be presented for such redemption to the Treasurer of the United States, in sums of five hundred dollars, or any multiple thereof, or in sums equaling not less than one per centum of the total circulation of any association having less than fifty thousand dollars in greenbacks and currency, the same shall be redeemed.

Each association shall redeem in lawful money its greenbacks and currency at its own banking house and at an agency approved by the Comptroller in some reserve city.

The right to confer the duties and responsibilities of executing the provisions of this Act, or any part thereof, relating to the current redemption fund or the redemption of greenbacks and currency upon any reserve bank or other suitable agent, under such regulations as he may deem safe and proper, and to deposit any part of the current redemption fund or funds in any place he may deem proper, with the approval of the Secretary of the Treasury, is hereby conferred upon the Treasurer of the United States.

**SEC. 7.** That from and after thirty days from the setting aside of gold by the Treasurer of the United States to redeem and cancel certain legal-tender notes as aforesaid the cash reserve required by law to be kept by banking associations shall be kept as near as may be in equal parts in greenbacks of other associations in silver coin and in gold coin of the United States.

Each banking association may keep its coin and its bonds in such place and under such circumstances as the Comptroller of the Currency may approve, but the gold coin required to be kept in the cash reserve by each association shall be kept in a clearing house organized under this act.

Any association that fails to so keep, use, and pay out its silver coin, gold coin, greenbacks, and currency as to keep each one and all four kinds of money at a parity each with all the others from and after the setting aside of gold herein mentioned shall be deemed to have failed to pay on demand in coin or in United States legal-tender notes issued to other associations its greenbacks and currency.

No association shall plead in defense, in any action brought against it, that any greenback or currency note signed by its officers and paid out by it is a United States legal-tender note.

**SEC. 8.** That hereafter no certificates shall be issued or reissued by the Treasury of the United States upon the deposit of gold coin, silver coin, or any other money, and that all existing coin certificates and money certificates shall be canceled and destroyed upon being received into the Treasury, and the coin or money remaining upon which they were issued shall be free coin or money in the Treasury; and no circulating note authorized under existing law shall be issued or reissued to any banking association of a less denomination than three dollars,\* and all such notes of less denomination than three dollars hereafter received for redemption shall be canceled when received in the Treasury, and like notes in blank of a larger denomination shall be returned in place of them; and no United States legal-tender notes, including Treasury notes, of a less denomination than three dollars shall be hereafter issued or reissued, but those of a larger denomination shall be issued or reissued in place of them.

**SEC. 9.** That there is hereby constituted and appointed a board of advisers to the Comptroller of the Currency, consisting of seven experts, to consult and advise with the Comptroller upon methods of executing existing law concerning banking, and changes desirable therein, over which board the Comptroller of the Currency shall preside.

The president of the chief reserve bank in San Francisco, New Orleans, and each of the other five chief reserve cities in the country, or such substitute as any one of them shall from time to time appoint, shall be a member of the board of advisers, which board shall meet once a year, or oftener if the Comptroller of the Currency or a majority of the board so determines, and at such time and place as the Comptroller shall appoint.

The recommendations of the board of advisers, or a synopsis thereof, and all votes, shall be entered in the records of the board. The decision of the Secretary of the Treasury from time to time as to what

\*Treasury report, February 28, 1898:

\$1 notes in circulation.....	\$107,730,205
\$2 notes in circulation.....	31,144,000

Total outstanding notes under \$5.....	138,874,205
\$5 notes in circulation.....	273,971,710

person or persons are entitled to act as members of the board of advisers shall be final.

Any association aggrieved by any action taken in its case by the Comptroller of the Currency may appeal to the board of expert advisers, and the decision of such board in such case by a yea and nay vote if no member votes in the negative, or when approved by the Secretary of the Treasury, shall be final.

SEC. 10. That any five or more national banking associations are hereby authorized to unite in forming a clearing-house association. By adopting a constitution and by-laws not inconsistent with the provisions of this Act, the banking associations uniting to do so and certifying to the Comptroller of the Currency that fact shall in that act become a clearing-house association body corporate, upon such constitution and by-laws being approved in writing by the Comptroller of the Currency.

An incorporated banking association may be admitted to membership in any clearing-house association incorporated under this Act; and the membership of any banking association of such clearing-house association may be terminated by any action of the clearing-house association approved by the Comptroller of the Currency.

Any banking association may withdraw from any clearing-house association and any clearing-house association may withdraw from the national clearing-house association upon such conditions as the Comptroller of the Treasury may approve.

Each member of such clearing-house association shall share in its fees and other income, and in its assessments, expenses, and losses in the proportion that the amount of its capital bears to the total amount of all the capital of all the associations composing the clearing-house association and as shown by the annual report of the Comptroller of the Currency last made previous to the apportionment of the same, when the items of its capital are given in such report.

Each clearing-house association may make sales or loans to or buy or borrow from other clearing-house associations, and banking associations may make sales or loans to or buy or borrow from clearing-house associations. In all such buying, selling, loaning and borrowing clearing-house and banking associations shall be exempt from the usury laws of the States in which they are located.

Any clearing-house association organized under this Act may establish a department for the clearing of the greenbacks and currency of banking associations in the current redemption thereof.

Any changes in the constitution or by-laws of any clearing-house association, to become valid, must be consistent with this Act and must be approved in writing by the Comptroller of the Currency, and the Comptroller may annul any part of the same at any time after a hearing thereon, with the concurrence of a majority of the board of advisers.

Five or more clearing-house associations organized under this Act may form a national clearing-house association and any clearing house organized under this Act may be admitted to and remain a member of the national clearing-house association upon the same terms and conditions as those governing in the case of associations constituting clearing-house associations composed of banking associations, and the persons who constitute the board of advisers to the Comptroller of the Currency provided for in section nine of this Act, shall constitute the board of directors of the national clearing-house association: *Provided, however,* That national clearing-house associations may make sales or loans to and may buy or borrow from clearing-house associations and may buy and sell such bonds as are necessary or desirable to the conduct of its

legitimate business to any amount and of any kind approved of by the Comptroller of the Currency, and may provide for the coin redemption of circulating notes of banking associations, and may take and issue, under the provisions of this Act, the greenbacks described in this Act, but in denominations of not less than one thousand dollars.\*

Any clearing-house association organized under this Act may be designated by the Secretary of the Treasury as a depository of public moneys, and may also be employed as a financial agent of the Government.

Any clearing-house or banking association organized under this Act may, with the approval of the Secretary of the Treasury, deliver to the Treasurer of the United States or to any assistant treasurer of the United States, for safe-keeping, any kind of money or bonds, and receive such a statement of the fact of their being in the Treasury of the United States as the Secretary of the Treasury may approve.

Clearing-house associations shall be subject to like examination by national-bank examiners as national-banking associations, and shall make such reports to the Comptroller of the Currency as he may request.

The meeting together of any persons who are officers, agents, or employees of any five or more associations in any one or more places once in ten days or oftener for the purpose of exchanging, paying, or in any other way satisfying any obligations used in commerce among the several States by any two or more of such associations, shall constitute such associations represented in such meeting a clearing-house association for the purpose of the taxation herein imposed, and such associations represented shall be jointly and severally liable to pay, and shall pay, into the Treasury of the United States a tax in amount equal to one-fiftieth of one per centum on the aggregate amount of all such exchanging, paying, or in any way satisfying such obligations, at each and every meeting of persons acting for such associations: *Provided, however,* That in case any such association pays one-half of the tax herein imposed on or before the day it is due and payable, the other half shall be, and is hereby, remitted: *And provided further,* That the tax herein imposed on associations herein described shall be wholly remitted to each one and all associations that are members of clearing houses incorporated under this Act.

SEC. 11. That the Comptroller of the Currency may issue to the National Clearing-House Association or other clearing-house association organized under this Act, or to any national banking association, greenbacks to any amount approved of in writing by the Secretary of the Treasury, in addition to the amount of greenbacks hereinbefore

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\* The financial and banking system of the United States, as of every other nation, must be built from the top down, having a great national bank with myriads of branches, as are those of Europe, like European governments, or it must be built from the bottom up. The independent individual bank, while retaining its independence, will be united with all other banks to form a democratic but strong and symmetrical system, as our institutions are built up from the individual. There is no escape from it. This section accomplishes that purpose. It makes a solid union of all the banks in the country into practically one bank, with all the advantages of a United States national bank, with 8,000 branches, now State and national, leaving each bank as free as now and with none of the disadvantages of a United States national bank. It also gives to every country bank all the assistance and support it could receive were it a branch of a United States national bank.

authorized: *Provided*, That the association applying for such additional greenbacks shall deliver to the Treasurer of the United States or to any assistant treasurer bonds \* in kind and amount acceptable to the Secretary of the Treasury, as security for such greenbacks, and shall pay interest on the amount of such greenbacks so issued at the rate of six per cent per annum, such interest on such greenbacks to be paid at such time and in such manner as the Comptroller of the Currency may determine; but no more in amount than ninety per cent of the par value of any bond shall be issued in such greenbacks, and no bonds other than bonds of the United States shall be accepted by the Secretary of the Treasury as security when there are three hundred millions or more of United States bonds outstanding.

Any association depositing bonds and receiving greenbacks secured thereby may withdraw such bonds so deposited, after thirty days from the date of such deposit, upon paying the accumulated interest on the amount of greenbacks issued upon the deposits of such bonds and up to the date of their withdrawal, and in addition to such interest shall deposit with the Treasurer greenbacks or other lawful money to an amount equal to the greenbacks issued to the association as security for which the bonds were deposited; but no more than five per centum of the greenbacks issued to any association other than the one receiving such greenbacks shall be accepted as a deposit for the withdrawal of such bonds.

The money so deposited for the withdrawal of such bonds shall be immediately put in redemption, and the money received for it shall be kept as a special fund with which to redeem the amount of greenbacks issued to the association; and such greenbacks shall be redeemed, and when redeemed shall be destroyed to an amount equal to the greenbacks issued to the association for the security of which the bonds hereinbefore mentioned were deposited.

The Secretary of the Treasury shall publish once in seven days, or oftener, in the "Statement of the condition of the United States Treasury and the receipts and expenditures," a list of the securities and the amount of each kind accepted by him to secure greenbacks issued or proposed to be issued upon the deposit of bonds, or of bonds to secure any deposits of money made in any association.

SEC. 12. That in order to enable the Secretary of the Treasury to carry into effect the provisions of the Act of January fourteenth, eighteen hundred and seventy-five, entitled "An Act to provide for the resumption of specie payments," and of this Act, the Secretary of the Treasury is hereby authorized to issue and sell from time to time, for the period of four years, bonds as described in the Act of July fourteenth, eighteen hundred and seventy, entitled "An Act to authorize the refunding of the national debt," such bonds to be payable at the pleasure of the United States after one year from the date of their issue and upon the

* United States bonds in national banks to secure circulation .....	\$227,484,000
Other United States bonds in national banks .....	\$17,576,925
Other bonds held by national banks (estimated) .....	125,000,000

Total bonds held in 1895 .....	142,576,950
The total securities, aside from United States bonds, held by national banks, most of which are bonds.....	148,569,950

expiration of three years, or bonds payable after three years and upon the expiration of seven years, or bonds due on a certain day within three years from the date of such bonds, as the Secretary of the Treasury may elect, such bonds to bear interest at a rate not exceeding three per centum per annum.

SEC. 13. That when the amount of the daily total reserve held by any national banking association averages to be less for any month than the amount required, it shall pay into the Treasury of the United States a tax at the rate of six per centum per annum on the amount of the average deficiency for that month in such reserve.

Whenever any association fails to pay on demand in silver or gold coin or in United States legal-tender notes issued to other associations the greenbacks and currency signed by its officers and paid out by it, it shall be subject to and shall pay an additional tax, at the rate of one per centum per annum, on a sum equal to the average amount of the individual deposits in such association during such failure and until such payment is resumed: *Provided*, That in case any association pays one-half the tax herein imposed on or before the day it is due and payable the other half shall be and is hereby remitted. And whenever it shall appear to the satisfaction of the Comptroller of the Currency that any one of the four kinds of money, namely, currency, greenbacks, silver coin, or gold coin, of the United States is at a premium in any one of the central reserve cities in any other one or more of the other kinds of money herein named, it shall thereupon become his duty to declare and publish the same in the "Statement of the Condition of the United States Treasury and its Receipts and Expenditures," and such publication shall be held to be conclusive evidence that all the associations of deposit, loan, and discount as herein described in the United States have failed to pay on demand in silver or gold coin of the United States their greenbacks and currency, and the tax herein imposed for such failure shall be due and payable from each of such associations from and after the day the notice of such failure is published by the Comptroller of the Currency in the "Statement of the Condition of the United States Treasury and its Receipts and Expenditures," and so long as such failure continues, and until the day the Comptroller of the Currency gives notice in like manner that such failure no longer continues.

In addition to all other taxes imposed in this Act, each association organized under it shall pay into the Treasury of the United States a tax in each year, as the Secretary of the Treasury shall from time to time prescribe, equivalent to not less than one-fifth nor more than one per centum per annum\* on the average amount of currency issued to it

\* Four-fifths of the present paper-money circulation would be \$800,000,000; one-half of 1 per cent per annum on the currency would yield \$4,000,000 per annum. The losses on the circulation to the United States Treasury on notes of insolvent banks, as shown by thirty-two years' experience under the existing banking laws, were not \$16,000,000 during the whole thirty-two years of the existence of the national banking system, about \$500,000 per annum, had the national banks issued their notes under the provisions of this bill. The Government estimate for the bills lost and worn out past redemption, and to the advantage of the United States Treasury, is two-fifths of 1 per cent per annum on all circulation. Excluding the \$1 and \$2 bills, the loss might not be more than one-half, and the gain to the United States at one-fifth of 1 per cent on the \$800,000,000 would be \$1,600,000.

For the last five years the 1 per cent tax now collected on circulation has averaged \$1,582,443. The banks are now in effect carrying without

and in circulation and for the purpose of covering any loss which the Treasury may otherwise sustain by reason of the insolvency of any association to which currency was issued under this Act: *Provided, however,* That such tax shall not be levied to exceed one-fifth of one per centum per annum at a time when the total amount of all moneys paid into the Treasury under the tax imposed in this clause exceeds by eight million dollars the total net amount paid out of the Treasury in redemption of the currency of insolvent associations in cases where the assets of such associations were not sufficient to pay such notes or sufficient to recoup the Treasurer of the United States for the payment by him of such notes.

A tax equal in amount to one-fifth of one per centum per annum is hereby imposed on the average amount of the individual deposits subject to payment by check or draft or like instrument, whether payable on demand or at some future time, that are in each incorporated banking association, trust company, insurance company, loan association, or other corporation doing a deposit and loan and discount business, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security, when any part of the obligations bought or received or sold or issued by it are used in whole or in part in commerce among the several States: (1) *Provided,* That in case any association pays one-half the tax herein imposed on or before the day it is due and payable the other half shall be and is hereby remitted: (2) *And provided further,* That any association is hereby authorized to deposit in the Treasury of the United States an amount of lawful money equal to not less than twelve and one-half per centum of the amount of its capital, and to receive legal-tender notes of the United States to the amount of such deposit. Such notes issued to it shall have a circulating note of such association printed on the reverse side, which note, when the note of the association printed on the reverse side is signed by the proper officers of the association, shall be known as a greenback, and may be paid out by it, but under the same liabilities, obligations, and restrictions as to redeeming such greenbacks in silver or gold coin or United States legal-tender notes, and of keeping such greenbacks at a par with the silver coin and the gold coin of the United States, as are imposed upon national banking associations when like notes are issued to national banking associations: \**Provided, however,* That the securing such notes interest every dollar of the \$1,000,000,000 paper money in circulation. The saving in interest to the people under this bill is estimated at from \$36,000,000 to \$50,000,000 per annum, ultimately making that much saving per annum in lower rates of interest on the loans made to the people. Besides these items, J. S. McCoy, Government actuary, estimates the loss to the people in interest on the gold carried in the United States Treasury from 1879 to 1895 at \$144,241,556. It will be more, rather than less, in the next twenty-five years under the present system.

* Cash reserve required in 1897.....	\$287,742,000
Cash reserve held in 1897.....	388,883,000
Including State banks the cash reserve held could not be less than.....	563,000,000

Holding the cash reserve one-third in silver would equal \$186,000,000, and one-third in gold would equal \$186,000,000, one-third in greenbacks, \$186,000,000; total, \$563,000,000; so that the substitution of silver dollars for the \$1 and \$2 notes added to the \$186,000,000 of silver dollars held in banks in the reserve fund would increase the actual coin silver dollar in constant use by \$325,000,000.

by any association other than national banking associations shall confer upon it no authority to issue any other circulating notes. In case any association takes out circulating notes, as provided in this section and named greenbacks in this Act, the tax imposed on such association in this section shall be wholly remitted; but in case such notes are taken out and such tax is remitted such association shall keep such record and make such reports to the Comptroller of the Currency and submit to such examinations by national bank examiners as are now or may hereafter be required of national banking associations.

Each deposit of money or funds made by any individual or by any association in any other association however organized doing the banking business defined in this section upon which the association receiving such deposit pays or agrees to pay any money or interest shall not be subject to withdrawal excepting on a day named in a notice given in writing to such association, and not less than thirty days before such withdrawal: *Provided*, That this section shall not apply to the total amount of all moneys or funds deposited within the seven days next preceding such notice, or to moneys or funds that banking associations are required to keep and are allowed to keep in other associations as a part of their reserve.

This section of this Act shall take effect on the first day of the first calendar quarter next succeeding the four months next succeeding the day of the approval of this Act.

SEC. 14. That all taxes imposed by this act shall be due and payable semiannually on the first day of April and the first day of October in each year. Any clearing-house association, when requested so to do by any banking association, and with the approval of the Comptroller of the Currency, may assume and may pay any tax imposed on such association by this Act.

All moneys received under this Act unless otherwise provided shall be covered into the Treasury as a miscellaneous receipt. The Treasurer shall keep an account of all moneys paid into the Treasury or paid out by him under each of the several sections of this Act and include a statement of the same in his annual report.

SEC. 15. That upon the insolvency of any association, or whenever, in the opinion of the Comptroller of the Currency, the complete redemption and retirement of the currency issued to and retained by any national banking association is then necessary for the protection of the United States Treasury or of the holders of such currency, the Comptroller may take possession of all the assets of such association, which assets shall be held to include the liability to assessment of all stockholders, and appoint a receiver, who is hereby authorized, under the direction and control of the Comptroller of the Currency, to create and deliver to the Treasurer of the United States a fund equal in amount to such currency; and the receiver, under the direction of the Comptroller of the Currency, is hereby authorized to sell the whole or any part of the property of such association, or to pledge the whole or any part of its property or assets, at any time, as security for any loan he may elect to make in order to create such fund; and if there shall be any assets remaining after the above-mentioned fund is created the Comptroller of the Currency shall then proceed in like manner to create and deliver to the Treasurer of the United States a fund equal in amount to the aggregate of all deposits of moneys made in the association either directly or indirectly by the United States Treasurer, including those of any and all officers or agents of the United States Government; and the receiver, after the completion of such fund or funds or as much thereof as can be realized from the assets, and not before, shall

administer the remaining assets, if there be any, for the benefit of creditors and shareholders of the association; and the Comptroller of the Currency shall have like power and authority, and shall proceed in the same manner in the case of clearing-house associations organized under this Act.

The five per centum reserved from the moneys deposited by the insolvent association for the current redemption of the greenbacks of such association shall be free moneys in the Treasury, and the five per centum on the currency taken out which was deposited for the current redemption of such currency shall be returned to the receiver of the insolvent association.

The greenbacks and currency of an insolvent association shall be immediately redeemed and canceled by the Treasurer of the United States, out of any moneys in the Treasury not otherwise appropriated.

SEC. 16. That the Comptroller may at all times know the condition of each national banking association, each association shall make such record at the close of each day as the Comptroller shall request, in a book kept for that purpose, which record shall show the total amount of its currency paid out and in circulation, and the amount of currency received from redemption agents, and its total individual deposit account, and its total reserve account, as shown by its books at the close of each business day, and of what the reserve consisted, which daily record of deposits, reserve, and currency, and other matter requested by the Comptroller, shall be made up in duplicate for each month, and two copies or reports thereof transmitted to the Comptroller of the Currency on or before the tenth day of the following month.

Before making the record for the day, as required by the Comptroller, every transaction of that day pertaining thereto shall be duly entered in the books of the association.

The records and reports herein provided for, and any other facts and data he may request of associations or any director or officer thereof, shall be in such form as the Comptroller may direct.

National-bank examiners shall be held to be employees in the office of the Comptroller of the Currency while examining associations whose business is covered by this Act, and their fees for such examinations shall be paid out of the appropriation for the Bureau of the Currency.

The operation of so much of all laws or parts of laws as are in conflict with this Act is hereby suspended.

NOTE.—The "visible gold"—gold in banks and in the United States Treasury—is reported by the Comptroller, on page 22, Report of 1896, to be \$421,236,388. January 1, 1899, visible gold amounted to about \$800,000,000.

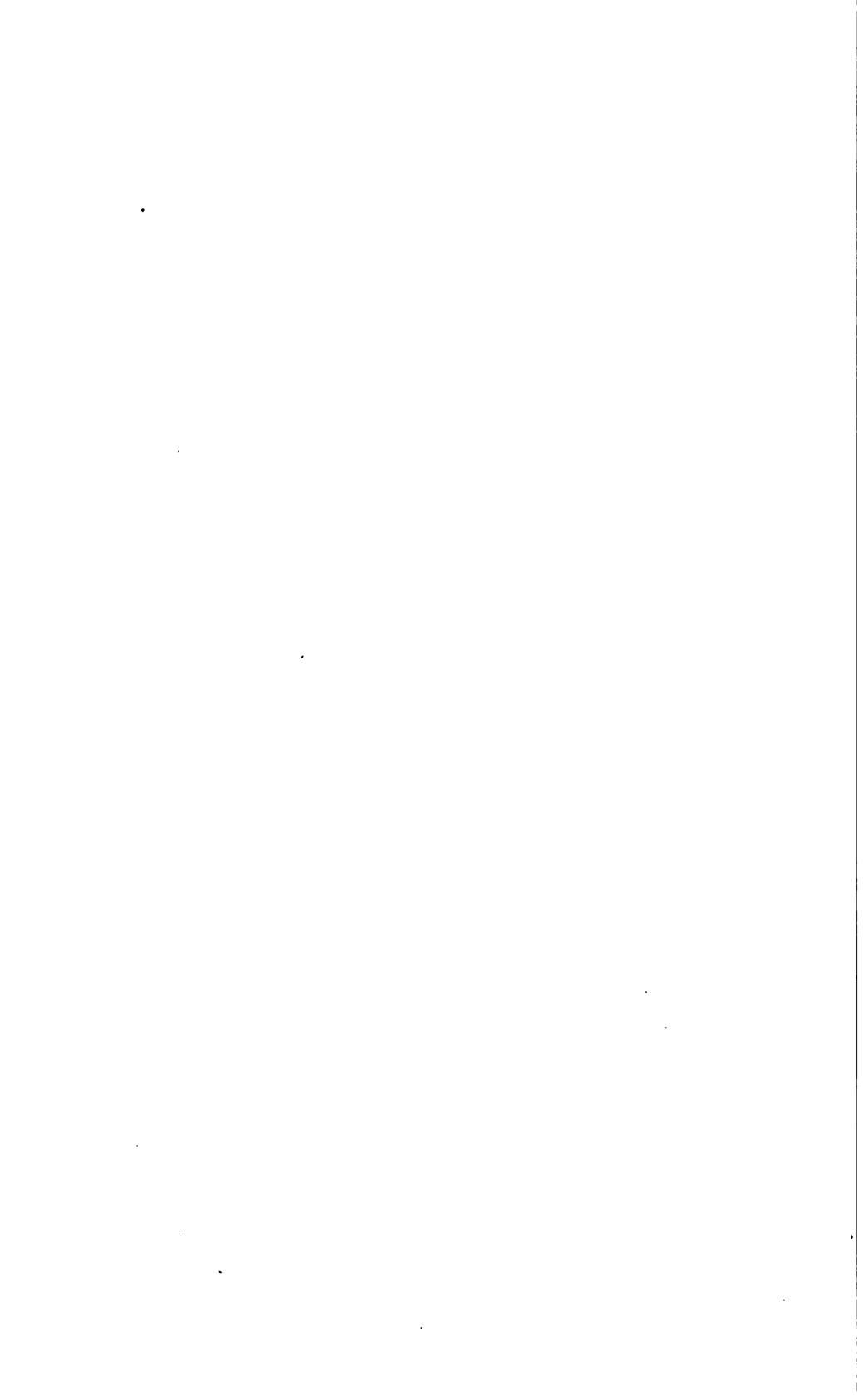
## APPENDIX.

### INDEPENDENT TREASURIES.

Boston, Mass.....	\$38, 910
New York, N. Y.....	196, 360
Chicago, Ill.....	37, 420
San Francisco, Cal.....	27, 120
New Orleans, La.....	20, 490
St. Louis, Mo.....	22, 460
Cincinnati, Ohio.....	18, 760
Washington, D. C.....	..
Baltimore, Md.....	38, 910
Philadelphia, Pa.....	42, 340
 Total expenses .....	 442, 770

### RESERVE CITIES.

Boston, Mass.	San Francisco, Cal.
New York, N. Y.	St. Joseph, Mo.
Brooklyn, N. Y.	Kansas City, Mo.
Albany, N. Y.	St. Louis, Mo.
Cleveland, Ohio.	New Orleans, La.
Detroit, Mich.	Houston, Tex.
Chicago, Ill.	Savannah, Ga.
Milwaukee, Wis.	Louisville, Ky.
Des Moines, Iowa.	Cincinnati, Ohio.
St. Paul, Minn.	Washington, D. C.
Minneapolis, Minn.	Baltimore, Md.
Omaha, Nebr.	Philadelphia, Pa.
Lincoln, Nebr.	Pittsburg, Pa.



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A COMPARISON  
OF THE  
HILL-FOWLER BILL, H. R. 10289,  
WITH THE  
WALKER BILL, H. R. 10333,  
BY  
SUBJECTS.

---

PREPARED BY THE CHAIRMAN OF THE COMMITTEE.

*A comparison of the Hill-Fowler bill, H. R. 10289,*

Page. Line.

**NO PROVISION MADE FOR TRANSITION PERIOD.**

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No provision made for the assistance of men trained in the business—in transacting the business of banking for 75,000,000 people, and soon to be 200,000,000.  
No provision made for an appeal from the decision of the Comptroller in any case.

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**NON-INCORPORATED CLEARING HOUSES.**

17 18 to 22 Country divided into clearing-house districts by the Comptroller when clearing houses have no legal existence. (How many.)  
17 23 to 25 Clearing-house district printed on currency notes issued in it.  
18 1 to 4 Clearing house city?  
18 2 to 4 Currency notes must be currently redeemed in some banking association in a clearing-house city in its clearing-house district.  
19 4 to 9 Banking associations must provide for the "current redemption" of its currency notes in every clearing-house district in which its notes are paid out over the counter of banks.  
No issue of emergency "legal-tender notes" or other emergency "money" provided for.

*with the Walker bill, H. R. 10338, by subjects.*

#### DURING TRANSITION.

Page.	Line.	
3	8 to 11	Banks may take greenbacks to 50 per cent of capital.
3	22 to 25	The taking out of currency restricted to an amount equal
4	1 to 4	to the greenbacks taken.
6	2 to 8	Transition is completed [when \$200,000,000 United States notes are assumed by banks and] when the Treasurer sets aside certain gold in the Treasury to redeem and cancel the balance of the outstanding United States notes [viz, \$146,000,000].
9	21 to 24	After thirty days from the completion of the transition
10	1 to 3	the required "cash reserve" of banks to be kept, as near as may be, one-third each, in gold coin, silver coin, and greenbacks.

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#### COMPTROLLER OF THE CURRENCY THE EQUIVALENT OF THE PRESIDENT, AND THE BOARD OF ADVISERS TO SEVEN DIRECTORS OF THE GENERAL BANKING BUSINESS OF THE COUNTRY, AS ONE BANK.

##### BOARD OF SEVEN ADVISERS.

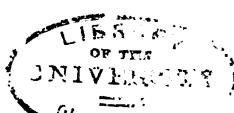
11	12 to 17	To Comptroller of the Currency.
11	18 to 22	Members are the president of the chief reserve bank in New Orleans, president of chief reserve bank in San Francisco, and the presidents of the chief reserve banks in the other five chief reserve cities.
12	1 to 3	Are to meet annually or upon the call of the Comptroller or upon its own motion.
12	4 to 8	To keep a record of its doings. In case of doubt as to what persons are to act on the board the Secretary of the Treasury is to decide.
12	9 to 14	Parties aggrieved at any action of the Comptroller may appeal to the board of advisers. Unanimous decision final. In case a minority dissents the decision of the Secretary of the Treasury final.
14	5 to 10	May annul by a majority vote any action of the Comptroller proposing to change any by-law of a clearing house.

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##### INCORPORATED CLEARING HOUSES.

##### FIVE OR MORE ASSOCIATIONS MAY FORM A CLEARING HOUSE.

12	15 to 22	The act of "approving the by-laws" by the Comptroller constitutes the banks associated to adopt them a "body corporate."
12	23, 24	Any banking association may be admitted a member.
13	1 to 4	May exclude any association with approval of Comptroller.
13	5 to 9	Any association may withdraw with approval of Comptroller.
13	10 to 17	Profits and loss to be shared by the associations making up the clearing house, in the proportion that the capital of each bank is to the total capital of all members.



Page. Line.

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ISSUE AND REDEMPTION DEPARTMENT.

2 23 to 25 To Issue and Redemption Department "is committed ALL  
3 1 to 12 FUNCTIONS of the Treasury Department" (excepting receiving moneys due the Treasury Department from debtors, and making to creditors the disbursements provided for by law).

SHALL HOLD all "Guarantee" and "Redemption" funds for circulating notes.

Through it shall be conducted the operation of *redeeming* the "circulating notes" of all associations.

Shall be transferred to it all gold coin and bullion, silver bullion, silver coin and United States notes held against "certificates," and the "FUNDS" for the redemption of "CIRCULATING NOTES" and the funds for the retirement of circulating notes.

Page. Line.

13 18 to 21 May buy, borrow, sell, or loan to other clearing houses or banks.

13 22 to 24 Usury laws not to apply to transactions of clearing houses.

14 1 to 4 May establish a department to "CURRENTLY RE-DEEM" the greenbacks and currency of banks.

14 11 to 17 Five or more clearing houses may form a national clearing house.  
All provisions relating to banks in their relation to clearing houses shall apply to clearing houses in their relation to the national clearing house.

14 18 to 22 National clearing house may deal in any bonds approved of by the Comptroller.

14 23 May provide for the "current redemption" of "circulating notes."

15 1, 2 May take out emergency greenbacks in denominations of not less than \$1,000, secured by United States bonds. Section 11.

15 3 to 6 May be designated as fiscal agents of the Government and as depositories of public moneys.

15 7 to 14 May keep their bonds and moneys with the United States Treasurer or any assistant treasurer with the approval of the Secretary of the Treasury.

15 15 to 18 Shall be subject to like examination by national-bank examiners as banks, and to make such reports as the Comptroller may request.

15 19 The meeting together of the employees of banking associations to make "clearings" shall constitute the banks employing such persons a "clearing house," and make the banks they represent liable to a tax of one-tenth of 1 per cent on all clearings unless they submit their by-laws for the approval of the Comptroller and become a "body corporate."

16 1 to 20

17 17 to 21 Emergency legal-tender greenbacks taken by clearing houses or banks may be surrendered and the bonds recovered, or any other greenback may be deposited to the amount of the greenbacks taken out, plus the accumulated interest, and the bonds recovered.

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So much of the duties named as are necessary are devolved on Secretary of the Treasury, the Treasurer of the United States or on the Comptroller of the Currency.

Page. Line.

3 13 & 14 Such an amount of "subsidiary and minor coins" as the Secretary of the Treasury considers necessary for "the issue and exchange of such coins."

3 17 to 19 Accounts of Issue and Redemption Department "SHALL be kept entirely apart and distinct from the other divisions of the Treasury Department."

3 23 to 25 Reserve fund SHALL be established in Issue and Re-

4 1 to 6 demption Department of 25 per cent of  
\$346 mil. U. S. Notes.  
104 mil.

	Gold.
450,000,000	\$112,500,000
and 5 per cent of	
\$500,000,000 silver	= 25,000,000
Total .....	\$137,500,000

4 7 to 10 \$137,500,000 gold shall be held as a "common fund" and used *exclusively* to "redeem United States notes, Treasury notes, silver dollars and subsidiary and minor coins." (See page 3, lines 13 and 14.)

4 11 to 25 Gets its funds at the option of the Secretary of the Treas-

5 1 to 13 ury.

5 Sec. 6. TEN mandatory directions for doing its business.

6 24 & 25 SHALL "cancel" such amounts of notes "redeemed in  
7 1 to 4 gold" "as SHALL NOT EXCEED the NATIONAL  
RESERVE NOTES ISSUED SUBSEQUENT TO  
THE TAKING EFFECT OF THIS ACT."

#### THREE COMPTROLLERS OF THE CURRENCY, AT A COST OF \$23,000.

Duties prescribed.

First Comptroller a sort of "Assistant Treasurer."

All action dependent on the Secretary of Treasury.

Page 7, line 7.

1 6 to 11 Comptrollers do duty of present Comptroller.  
Manage Issue and Redemption Department.

1 12 Present office of Comptroller abolished.

2 1 & 2 Comptrollers appointed by President and Senate.

2 3 & 4 Comptrollers removed by President and Senate.

2 4 to 9 Appointed for 4, 8, 12 years; then for 12-year terms.

2 10 & 11 In a Comptroller's last four years he is to be First Comptroller.

2 12 to 18 First Comptroller, practically Assistant Treasurer, has custody of all funds. To give \$250,000 bond.

12 6 to 14 To prepare three kinds of "circulating notes," etc.

14 6 to 13 After four years MAY reduce deposit of United States bonds.

After eight years no bonds shall be required.

15 9 to 14 When no more United States notes are available as a basis for "CIRCULATING NOTES" THE deposit of such notes SHALL no longer be required (see page 16, lines 10 to 14), but the deposit of "gold coin" for them may be required.

15 15 to 18 May issue reserve notes upon the deposit of gold coin.

16 10 to 14

Page. Line.

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PRESENT COMPTROLLER OF THE CURRENCY AT PRESENT COST OF  
\$5,000.

- 3 22 to 25 SHALL issue "CURRENCY" only to the amount of
- 4 1 to 4 greenbacks taken during transition.
- 4 5 to 11 Thereafter he SHALL issue "CURRENCY" to each bank not less in amount than its "greenbacks" and not less than 25 per cent in excess of its average circulation of "currency" during the two years next preceding, and MAY issue to the full amount of actual capital.
- 5 3 to 5 May print currency or greenbacks in anticipation of use.
- 8 5 to 11 May extend corporate limit of associations.  
May allow banks to reduce their greenbacks to required amount, with approval of Secretary of the Treasury.
- 8 12 to 17 Shall destroy currency surrendered to him.
- 10 4 to 6 May allow associations to keep their bonds and coin in any suitable place.
- 11 12 to 17 Board of advisers to.
- 12 1 to 3 May call a meeting of board of advisers at any time or place.
- 12 9 to 14 An appeal may be taken from all decisions of the Comptroller to the board of advisers.
- 12 15 to 22 By-laws of clearing houses must be approved by comptroller.
- 13 1 to 4 Clearing houses can not expel an association without the approval of the Comptroller.

Page. Line.

15 19 to 25 When no more "reserve notes" are available, the taking out of "reserve notes" shall be no longer required.  
 When "reserve notes" are "no longer available," banking associations can issue "currency notes" under the restriction of page 11, lines 10 to 24, and page 14, lines 18 to 21.

16 1 to 5 Gives unlimited power to withdraw from circulation "reserve notes" down first to 40 per cent to capital and finally using all the gold reserve, etc. (forcing the hands of the Secretary of the Treasury).

16 6 to 8 Thereafter the Comptroller shall equitably "withdraw" "reserve notes."

16 24 & 25 Reserve notes withdrawn and canceled by the use of surplus revenue shall not be reissued (when "reserve notes" are withdrawn by the use of surplus revenue, no increase of such notes can thereafter be made).

17 5 to 12 May reduce "currency notes" of banks by depositing, etc., with the Assistant Treasurer. (Where is the "Assistant Treasurer" provided for?)

17 12 to 17 May reimburse banks for surplus of "bank notes," "REDEMPTION FUNDS," or "currency - note" "GUARANTEE FUND" above amount required to be held against "circulation."

17 18 to 25 To divide the United States into redemption districts for redemption of "currency notes."

18 19 to 25 In case of failure to redeem in "gold coin," they to immediately put association into insolvency.

19 1 to 21

20 13 to 23 Shall assess each bank not exceeding 1 per cent on their "currency notes" in circulation to guarantee all "currency notes."

20 24 & 25 (See page 4, lines 7 to 10.) May invest "gold guarantee fund" in "United States obligations" at "not exceeding 6 per cent premium" (?) for benefit of the "fund."

21 20 to 23 MAY provide for redemption of "reserve" and "bank" notes at subtreasuries.

22 12 to 23 When the circulating notes of any bank shall be presented for redemption in sums of \$1,000, made up of reserve notes, bank notes, and currency notes, or any one of them, at the Treasury or subtreasury, the same shall be redeemed in gold coin.

23 22 to 25 } Banks to report to the Comptroller.  
 24 1 to 6 }

24 14 to 25 } One-fourth of 1 per cent per annum tax on franchise, less  
 25 1 to 3 } one-half per cent premium paid on reserve notes taken out, to support Department of Comptroller of the Currency.

26 12 to 15 May permit banks to establish "branches."

28 4 to 11 May get reports provided in Walker bill. (Very clumsy phraseology.)

28 20 to 25 May permit national banks to organize under the act.

29 15 to 24 May permit State banks to organize under the act.

31 8 to 11 May prepare "circulating notes" in anticipation of delivery to banks.

Page. Line.

14 5 to 10 Changes of by-laws of clearing houses to be valid must have the approval of the Comptroller.  
May annul any clearing-house by-law with the concurrence of a majority of the board of advisers.

16 21 to 24 May issue to clearing houses, or banks, emergency green-banks secured by bonds in denominations not less than \$1,000 to the amount of 90 per cent of such bonds, interest to be paid on such greenbacks by the association taking them, at the rate of 6 per cent per annum.

20 6 to 24 To decide when banks are to be taxed on their deposits for failure to maintain parity, and on the beginning and ending of the period of taxation.

21 1

25 7 to 23 May take possession of the assets of unsound banks and—  
First. Create a fund to secure the payment of "currency notes."

25 24 Second. Create a fund to secure the payment of "Government deposits."

26 1 to 14

27 1 to 21 To have monthly reports of the daily condition of banks, and such other reports as he may request.

Page. Line.

A strictly "bank note," called "NATIONAL-RESERVE NOTE," is substituted for United States notes and declared "legal tender."

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Page Line.

\$200,000,000 UNITED STATES NOTES PRESERVED AS GREENBACKS.

2 4 to 10 Deposit "lawful money" for.

2 21 to 25 Deposit United States notes, Treasury notes, coin or coin certificates equal to 12½ per cent of actual capital for new issue of "UNITED STATES - LEGAL TENDER NOTES."

3 12 to 15 They are made the "promise to pay" of the bank, by the signatures of its officers.

3 20 to 21 Name of United States legal-tender note, plus currency note, is "greenback."

5 14 to 18 Five per cent current redemption fund furnished by United States Treasurer as a common fund for "greenbacks" and "currency."

7 7 to 11 Holdings to be reduced to 12½ per cent to capital to all associations from moneys paid for greenbacks after transition is effected.

7 12 to 15 Amount of greenbacks held by a bank may be increased by the Treasurer to amount required.

7 16 to 21 To be reduced below 12½ per cent to capital as banking capital increases so as to keep total amount uniform [viz., \$200,000,000].

8 1 to 4 May be reduced by banks to the amount required with the and approval of the Comptroller and the Secretary of the 8 to 6 Treasury.

8 5 to 11 Upon the expiration of corporate existence by insolvency, or by consent of Comptroller approved by Secretary of the Treasury, the Treasurer shall finally redeem greenbacks.

8 18 to 25 Each bank to keep good its proportion of the 5 per cent redemption fund furnished by the Treasurer.

9 1 to 2 Current redemption fund can not be counted in the reserve of any bank.

9 3 to 8 Sums of greenbacks and currency aggregating \$500 or 1 per cent to capital, of any association, to be redeemed.

9 9 to 11 Shall redeem in "LAWFUL MONEY," its "greenbacks," and "currency" at its own banking house and At an agency approved by the Comptroller, in some reserve city.

10 7 to 13 Banks to maintain parity, or be in default.

10 14 to 17 Can not plead in defense, when in default, that its own "greenbacks" are "United States notes."

11 1 to 11 Not to be issued in denominations of less than \$3.

15 1 to 2 Emergency greenbacks secured by bonds in denominations

16 21 to 24 of not less than \$1,000 may be taken out by banks or

17 1 to 21 clearing house.

18 1 to 7

26 15 to 17 Five per cent reserved for redemption fund to be free moneys in the Treasury in case of insolvency.

26 22 to 25 In case of insolvency to be immediately redeemed by the Treasurer and canceled.

## NATIONAL "RESERVE NOTES."

Page. Line.

8 16 to 25 Exchange of United States notes (only) for "reserve notes."  
 Redeemable in "gold coin" ONLY.

9 20 to 24 May exchange United States notes for "reserve notes"  
 10 1 to 7 equal to its paid-up capital.

12 15 to 20 To imitate the present United States legal-tender note  
 and contain "promise of association" to redeem at  
 office in gold coin.

13 18 to 23 This bank note a "full legal-tender" excepting for duties  
 on imports and interest on the public debt.  
 May be "used in reserves of any association."

15 15 to 18 Deposits of gold coin instead of United States notes for  
 16 10 to 14 them, but not in excess of reserve notes destroyed.

15 19 to 25 Comptrollers may dispense with their use.

16 1 to 5 Withdraw holdings above 40 per cent to be first made.

16 6 to 8 Thereafter such withdrawal SHALL be equitably made.

16 8 & 9 Destroy all reserve notes "withdrawn."

16 24 & 25 Once "surplus revenues" are used to cancel reserve notes,  
 no more "reserve notes" can thereafter be issued.

16 25 to 23 Surplus funds as "surplus revenue" (after United States  
 notes and Treasury notes are destroyed) used to cancel  
 "reserve notes."

17 1 to 4 Reserve notes of any association decreased shall not lessen  
 the "circulating notes" any banking association would  
 otherwise be entitled to. (See page 15, lines 18 to 25.)

21 14 to 20 Shall keep in Issue and Redemption Department a "re-  
 demption fund" in "gold coin equal to 5 per cent of its  
 'reserve notes'" (and bank notes).

19 2 to 4 In case of insolvency to be redeemed from the general  
 "reserve" in Issue and Redemption Department.

20 1 to 5 Upon redemption, in case of insolvency, shall be destroyed.

21 21 to 23 } Shall be redeemable at "subtreasuries".  
 22 12 to 23 }

21 25 & 25 Shall be currently redeemed in gold coin in amounts of  
 22 12 to 23 \$1,000, including all circulating notes.

23 6 to 8 (Old law) 5 per cent gold redemption fund can be counted  
 in reserve.

24 21 to 24 Banks paid  $\frac{1}{2}$  per cent per annum premium for taking out  
 reserve notes.

28 12 to 19 The taking of "reserve notes" made compulsory.

29 4 to 11 Banks shall be dissolved upon failure "to comply with any  
 provision of this act."

## NATIONAL "BANK NOTES."

9 1 to 3 Depositing United States bonds for "bank notes."

9 9 to 11 Can secure "bank notes" plus "currency notes" to an  
 and 18 amount equal to its "paid up capital."

10 8 & 9 May take "bank notes" equal to par of United States  
 10 14 to 27 bonds deposited, and to amount of capital, page 9, line  
 24, and page 11, line 17, but reduced by currency notes  
 taken.

**Page. Line.**

**Has no corresponding note.**

---

**Has no corresponding note.**

Page. Line.

11 5 to 9 If bonds depreciate below par, more bonds must be deposited.

12 23 to 25 To imitate present "NATIONAL BANK NOTES."

13 1 to 3 Contain promise of association to redeem at its office in gold coin or "reserve notes."

13 24 & 25} Legal tender "between banks."

14 1 & 2}

14 3 to 5 Can not "count ITS OWN" bank notes or currency notes in its cash or "cash assets."

17 1 to 4 Canceling reserve notes of any bank by use of "surplus revenue" not to lessen "circulating notes" of such bank.  
(See page 14, lines 18 to 21.)

17 5 to 12 Banks may reduce bank notes by depositing with the "ASSISTANT TREASURER" in charge of the Issue and Redemption Department a sum in gold coin equal to the amount of the reduction desired, or by redeeming its notes in gold and sending them to the Comptrollers of the Currency.

21 14 to 20 Shall keep in Issue and Redemption Department a "redemption fund" in gold coin equal to 5 per cent of its "bank notes."

19 4 to 9 Bonds deposited to be sold to redeem bank notes in case of insolvency.

20 1 to 5 Destroyed when redeemed, in case of insolvency.

21 21 to 23} Redeemable at Treasury or "subtreasuries" only.

22 13 to 23}

21 24 & 25} SHALL be "currently redeemed" in gold coin in sums of

22 13 to 23} \$1,000, made up of all kinds of circulating notes.

23 6 to 8 (Old law) Its 5 per cent gold redemption fund can be "COUNTED IN ITS RESERVE."

---

"CURRENCY NOTES."

NOT SECURED BY THE GUARANTY OF THE GOVERNMENT.

9 4 to 8 Bank assets liable for "currency notes."

9 9 to 11 Can take out "currency notes" plus "bank notes" to an and 18 amount equal to its paid-up capital.

11 10 to 24 Restrictions not to exceed "reserve notes" taken; not to exceed bank notes taken; not to exceed 40 per cent to paid-up capital, but can take 20 per cent more, with 40 per cent of bank notes, equals 100 per cent by paying 6 per cent per annum tax on last 20 per cent.

12 11 In denominations of \$10, and multiples thereof for all circulating notes.

13 4 to 9 Shall contain promise of association to redeem at its office in gold coin or "reserve notes."

13 10 to 15 To state on its face issued under this act.

17 18 to 22 To state on its face its clearing-house district.

17 23 to 25 To state on its face the number of its clearing-house districts. (How many clearing-house districts.)

13 24 & 25} Legal tender "between banks."

14 1 & 2}

14 3 to 5 Can not count its own "currency notes" in its cash assets.

Page. Line.

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"CURRENCY."

SECURED BY THE GUARANTY OF THE GOVERNMENT.

- 4 5 to 11 SHALL be issued to banks equal in amount to 25 per cent more than the currency the bank averaged to have in circulation during the two years next preceding (to be determined by amount of currency a tax was paid on), and the Comptroller may issue currency to a bank to the full amount of actual capital.
- 4 12 to 15 Current redemption fund equal to 5 per cent of currency in actual circulation.
- 4 16 to 18 A common redemption fund for currency and greenbacks.
- 4 19, 20 Lawful name "currency."
- 5 1, 2 To have printed on it that it is to be finally redeemed by the Treasurer of the United States.
- 5 3 to 5 Supply may be printed in advance of use.
- 8 12 to 17 May be reduced only by being surrendered to Comptroller.
- 8 18 to 25 Each bank to keep good its 5 per cent current redemption fund on its currency and the 5 per cent redemption fund on greenbacks furnished by the Treasurer.
- 9 1, 2 Current redemption fund can not be counted in the reserve of any bank.

Page. Line.

17 1 to 5 Withdrawal for cancellation of "reserve notes" of any bank not to lessen "circulating notes" of such bank.

17 5 to 12 May reduce holding of "currency notes" by depositing with the "Assistant Treasurer in charge of the Issue and Redemption Department" a sum in gold coin equal to the amount of the reduction desired, or by redeeming its notes in gold and sending them to the Comptroller of the Currency. (Where is the provision for an Assistant Treasurer?)

17 18 to 25 Shall be "redeemed" in their respective districts.

18 1 to 4 Shall be "currently redeemed" by some association in a clearing-house city of its own district.

18 19 to 25 Failure to redeem any circulating notes in gold an act of insolvency, and bank is immediately put in liquidation.

18 5 to 10 Can not be paid out "over the counter" of all banks outside its district, unless there is a redemption agency in all redemption districts.

18 11 to 18 Shall keep an amount in "gold coin" in the Issue and Redemption Department as a "guarantee fund" equal to 5 per cent of its currency notes "not returned to the Comptroller."

18 19 to 25 "Guarantee fund" used to redeem currency notes in case of insolvency.

19 10 to 12 Surplus over amount received on sale of bonds over that necessary to pay "bank notes" to be applied to the redemption of "currency notes" in case of insolvency.

20 1 to 5 Destroyed when redeemed in case of insolvency.

22 13 to 23 SHALL be currently redeemed in gold (as "circulating notes") at SUBTREASURIES in sums of \$1,000 for all notes. (See page 21, lines 14 to 20.)

23 6 to 8 Can not count its 5 per cent gold "guarantee" fund in its reserve.

23 9 to 17 Six per cent tax per annum on "currency notes" exceeding 40 per cent to capital or plus bank notes exceeding 80 per cent to capital.

23 18 to 21 Tax on all the last 20 per cent of 60 per cent capital of currency notes to capital not returned to the Comptroller or "gold coin" deposited with Comptroller for their retirement.

23 22 to 25 } Tax on currency notes collected each month.

24 1 to 6 }

25 13 to 20 Deposit of gold coin required equal to its "currency notes" in circulation, in case of insolvency.

**"CIRCULATING NOTES."**

(USED FOURTEEN TIMES.)

3 5 Means "reserve notes," "bank notes," and "currency notes."

3 16 Means "reserve notes," "bank notes," and "currency notes."

8 16 The words "circulating notes" defined as including "reserve notes," "bank notes," and "currency notes."

Page. Line.

9 2 to 8 Sums of greenbacks and currency aggregating \$500, or aggregating 1 per cent to capital, of any association to be redeemed.

9 9 to 11 Shall redeem in "LAWFUL MONEY" its "greenbacks" and currency at its own banking house, and also at an agency appointed by the Comptroller in some "reserve city."

10 14 to 17 Banks to maintain parity or be subject to penalty tax.

11 1 to 11 Not to be issued in denominations less than \$3.

21 3 to 17 Taxed not more than one-fifth of 1 per cent per annum when there is \$8,000,000 in the Treasury, accumulated for this tax and in no case over 1 per cent per annum, at the discretion of the Secretary of the Treasury.

26 18 to 21 The 5 per cent redemption fund to currency to be returned to associations in case of insolvency.

26 22 to 25 In case of insolvency, currency to be immediately redeemed and canceled by United States Treasurer.

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"CIRCULATING NOTE."

(USED FOUR TIMES.)

3 4 Means "greenback."

3 10 Means "greenback."

9 6 Means "greenbacks" and "currency."

14 23 Means "greenbacks" and "currency."

Page.	Line.	
9	2	Means "bank notes" received upon deposit of United States bonds.
10	19	Means "bank notes" in circulation when the act shall be passed.
12	10	Means "reserve notes," "bank notes," and "currency notes."
14	20	Means "reserve notes," "bank notes," and "currency notes."
		(When bonds are withdrawn "bank notes" are necessarily retired by the amount of bonds withdrawn, as "bank notes" are described as bond-secured notes. (See page 9, lines 1 to 3.) To keep up the amount of "circulating notes" the vacuum caused by the withdrawal of "bank notes" must be supplied, if at all, by taking out one-half "reserve notes" and one-half "currency notes," as provided in page 11, lines 10 to 24, subject to the provision on page 17, lines 1 to 4.)
17	3	Means "bank notes" and "currency notes" which must supply the place of the withdrawn "reserve notes," one-half of each, as provided on page 11, lines 10 to 24, subject to page 14, lines 18 to 21.
15	12	Means "reserve notes," "bank notes," and "currency notes" (and that the depositing of United States notes and the securing "reserve notes," as provided on page 11, lines 10 to 24, is a "basis" or condition precedent to securing either "bank notes" or "currency notes," and continues for all time, excepting as modified on page 16, lines 15 to 25, and page 17, lines 1 to 4).
17	3	Means "reserve notes," "bank notes," and "currency notes."
17	17	Means "reserve notes," "bank notes," and "currency notes."
18	24	Means "reserve notes," "bank notes," and "currency notes."
21	17	Means the present bank notes secured by bonds.
22	12	Means "reserve notes," "bank notes," and "currency notes."
29	9	Means "reserve notes," "bank notes," and "currency notes."

## SPECIAL FUNDS TO BE HELD IN TREASURY.

- A RESERVE FUND.
- A REDEMPTION FUND.
- A GUARANTEE FUND.

2	23 to 25	Issue and Redemption Department "shall redeem the circulating notes of banking associations," shall hold all "redemption funds" and all "guarantee funds" of banks.
3	1 to 12	
3	23 to 15	To the Issue and Redemption Department shall be committed \$137,500,000 gold to redeem United States notes and Treasury notes. (Amount to be "kept" in this fund decided by the Secretary of the Treasury. Page 4, lines 11 to 18.)
4	1 to 6	

Page. Line.

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SPECIAL FUNDS TO BE HELD IN TREASURY.

ONLY A CURRENT REDEMPTION FUND.

- 4 16 to 18 Equal to 5 per cent of currency, it averages to keep in circulation held as a common "current redemption fund" for the current redemption of "greenbacks" and "currency."
- 5 14 to 18 Equal to 5 per cent of greenbacks, held as a common "current redemption fund" for the current redemption of "greenbacks" and "currency."

Page. Line,

17 12 to 17 Issue and Redemption Department may return to banks any excess in the Guarantee Fund or Redemption Funds.

21 6 to 13 Issue and Redemption Department to add to Guarantee Fund and to Redemption Funds all receipts from investments of such funds and all taxes on circulation. (See page 17, lines 12 to 17.)

21 14 to 20 Gives Issue and Redemption Division a basis for estimating the redemption fund of each bank, viz, equal to 5 per cent of "bank notes" and 5 per cent of "reserve notes."

## CANCELING UNITED STATES NOTES AND TREASURY NOTES.

6 24, 25 Issue and Redemption Department shall cancel an amount  
7 1 to 4 of United States notes or Treasury notes, that gold coin has been exchanged for, as shall not exceed the amount of national "reserve notes" issued subsequent to the taking effect of this act.\*

7 5 to 12 Secretary of the Treasury may in his discretion from any fund in the general Treasury not otherwise appropriated, transfer to the Department of Issue and Redemption any United States notes or Treasury notes WHICH on such transfer COULD THEN LAWFULLY BE CANCELED \* \* \*. IF THEY HAD BEEN REDEEMED ON PRESENTATION; and when so transferred the same shall be canceled.

10 5 to 7 United States notes received in Issue and Redemption Department for "reserve notes" shall be canceled as received.

7 13 to 19 Whenever there may be United States notes including Treasury notes in the general Treasury NOT AVAILABLE as "surplus revenue" they may be exchanged with the Department of Issue and Redemption for "gold coin" and such notes SHALL THEREUPON BE CANCELED.

7 20 to 24 United States notes including Treasury notes once redeemed shall not be paid out except for gold.

7 25 United States notes or Treasury notes accumulated in the  
8 1 to 7 Department of Issue and Redemption may be invested by the SECRETARY OF THE TREASURY in interest-bearing obligations of the Government for the benefit of the gold reserve in the Department of Issue and Redemption subject to sale by the SECRETARY OF THE TREASURY.

\* Paying out gold coin in exchange for United States notes and Treasury notes is "redeeming them on presentation."

Page. Line.

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#### CANCELING OF UNITED STATES NOTES.

5    6 to 14 95 per cent of moneys paid into the United States Treasury "for greenbacks" to be used to redeem and cancel a like amount of old issue of United States notes to a certain amount.

5    19 to 24 After a certain amount of United States notes have been changed into greenbacks [say \$200,000,000], the United States Treasurer to set aside certain gold in the Treasury equal in amount to the old issue of United States notes then outstanding as a "*special fund*" to redeem and cancel such notes—[viz, \$146,000,000].

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Page. Line.

## SECRETARY OF THE TREASURY.

3 13 to 14 Subsidiary and minor coins (transferred to Issue and Redemption Department) as "SHALL consider necessary," etc. (See 15 and 14.)

4 11 to 18 SHALL maintain the (25 per cent and 5 per cent) gold reserve for United States notes and Treasury notes and silver dollars in the Issue and Redemption Department "at such sum as shall secure the CERTAIN AND IMMEDIATE REDEMPTION OF ALL NOTES and all silver dollars," etc.  
May transfer to Issue and Redemption Department ANY funds in the Treasury, not otherwise appropriated, in excess of \$50,000,000.

4 18, 19 SHALL reserve a \$50,000,000 [PANIC FUND] in Treasury.

4 20 to 25 May (shall) "ISSUE AND SELL FOR GOLD coin and  
5 1, 2 "REDEEMABLE IN GOLD COIN" 3 PER CENT ONE-YEAR—FIVE YEARS certificates to maintain the reserve in Issue and Redemption Department.

5 3 to 7 Authorized to exchange gold coin with Issue and Redemption Department for United States notes or Treasury notes.

5 7 to 13 Authorized to exchange with Issue and Redemption Department one denomination of notes for other denominations, and one kind of notes for other kinds.

7 5 to 25 \*May transfer to Issue and Redemption Department,  
8 1 to 7 from any unappropriated funds in "THE GENERAL TREASURY," UNITED STATES OR TREASURY NOTES, WHICH, ON SUCH TRANSFER, COULD THEN BE LAWFULLY CANCELED UNDER THE ACT, IF THEY HAD BEEN REDEEMED ON PRESENTATION, and THEY SHALL BE CANCELED. (Annul all restrictions other than reserve notes issued.)

16 15 to 23 To use funds available as "surplus revenue" to transfer to Issue and Redemption Department (to cancel United States notes, Treasury notes, or "reserve notes").

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\* Comptrollers are made simply clerks.

Page. Line.

## SECRETARY OF THE TREASURY.

3 16 to 19 May issue such United States legal-tender notes as are prescribed in the bill.

8 5 to 11 May approve of action of Comptroller in allowing banks to reduce their holdings of "greenbacks."

9 12 to 20 May approve deposits of "current redemption funds" in certain places, in the devolving the duties of "current redemption" upon reserve banks or other suitable agents.

12 4 to 8 In case of doubt as to what persons can act on "Board of Advisers to the Comptroller," the Secretary of the Treasury to decide.

12 9 to 14 In case of an appeal from the decision of the Comptroller to the Board of Advisers, and the decision of the board is not unanimous, in such case the decision of the Secretary of the Treasury to be binding and final.

14 23, 24 May designate clearing houses as fiscal agents or depositories of public moneys.

15 7 to 14 May direct the Treasurer or any assistant treasurer of the United States to accept from banks for "safe keeping" any kind of money or bonds.

16 21 to 24 To approve action of Comptroller in issuing emergency greenbacks to clearing houses or banks

17 1 to 16 *Also, approve of the bonds deposited as security for such notes.*

18 16 to 22 To publish in the "STATEMENT OF THE CONDITION OF THE UNITED STATES TREASURY AND ITS RECEIPTS AND EXPENDITURES" a list of securities accepted to secure emergency greenbacks or deposit of public moneys.

18 23 to 25 May issue and sell, "to carry into effect the provisions of the act of January 14, 1875, entitled 'An Act to provide for the resumption of specie payments,' and of this act FOR THE PERIOD OF FOUR YEARS BONDS DESCRIBED in the Act of July 14, 1870, entitled 'An Act to authorize the funding of the national debt,'" 1-3 year bonds, 3-7 year bonds, and bonds due on a day certain to run not exceeding three years.

21 3 to 12 To decide on the amount of the tax associations shall pay on the average circulation of their "currency," but in no case over one-fifth of 1 per cent per annum.

21 12 to 17 One fifth of 1 per cent when \$8,000,000 are accumulated

22 1 to 3 from such tax; and not over 1 per cent per annum in any case.

Page. Line.

TREASURER OF THE UNITED STATES.

- 2 12 to 18 First Comptroller to be (practically) an assistant treasurer.
- 9 20 to 24 Deposit with the Treasurer United States notes and
- 10 1 to 4 receive from Comptroller "reserve notes." [Why not deposit with the Comptrollers?]
- 10 8, 9 Deposit with Treasurer United States bonds and receive
- 10 14 to 17 from Comptroller "bank notes" of Issue and Redemption Department.
- 22 12 to 23 To currently redeem "circulating notes" in gold coin at subtreasuries [conflicts with page 3, lines 17 to 19, or there must be an Issue and Redemption Department in every subtreasury.]
- 24 14 to 20 Receive annual taxes of one-fourth of 1 per cent on franchise.
- 24 24, 25 Hold taxes on franchise as a separate fund to pay expenses
- 25 1 to 3 of Comptroller.

Page. Line.

## TREASURER OF THE UNITED STATES.

5    6 to 14 Shall destroy an amount of existing United States NOTES equal to 95 per cent of amount paid in to take out greenbacks.

5    14 to 18 Shall set aside 5 per cent of such amount as a common redemption fund for "greenbacks" and "currency."

5    19 to 24 To set aside "CERTAIN GOLD" in Treasury [in a certain case, viz, when \$200,000,000 old United States notes have been canceled and new greenbacks issued to banks equal in amount to outstanding United States notes] as a "SPECIAL DEPOSIT" to redeem and cancel the balance of United States notes (\$146,000,000).

6    9 to 15 To hold all moneys paid in for greenbacks after the "transition period" from the present law to the new law, as a SEPARATE FUND.

6    16, 17 To be used to equitably adjust the holdings of the greenbacks among all commercial banking associations.

7    1 to 6    7 to 11 SHALL first reduce the holding of those associations holding the largest amount of greenbacks in proportion to their capital.

7    11 to 15 May require banks to increase their greenbacks to legal requirements.

7    16 to 21 SHALL reduce the amount associations are required to take below 12½ per cent when necessary to keep the total amount of greenbacks to a fixed amount [viz, \$200,000,000].

7    22 to 25 The balance of the "special gold fund" remaining two years after being set aside shall be free money in the Treasury.

8    5 to 11 In case of expiration of charter or insolvency shall redeem greenbacks by order of the Secretary of the Treasury.

8    18 to 25 To keep AT ALL TIMES "IN LAWFUL MONEY" the 5 per cent "greenback" and 5 per cent "currency" current redemption fund.

9    12 to 20 May keep "current redemption funds" in any reserve bank or with any suitable agent approved of by the Secretary of the Treasury.  
May devolve duties as to the current redemption of circulating notes on any reserve bank or any other suitable agent.

10   18 to 24 To issue no more silver, gold, or currency certificates, and to cancel all now existing as they are paid in to the Treasury.

15   7 to 14 Treasurer or Assistant Treasurers to receive for "safe-keeping" any bonds or moneys from any bank or clearing house upon the approval of the Secretary of the Treasury.

16   21 to 24 To issue emergency greenbacks upon bond security by  
17   1 to 21 direction of the Secretary of the Treasury.

18   1 to 7

19   15 to 20 To receive taxes.

21   3 to 12

24   15 to 17

25   1 to 6 To keep separate accounts of moneys received and paid out under each section of the act.

Page. Line.

#### GENERAL PROVISIONS.

- 24 14 to 20 Franchise tax of one-fourth of 1 per cent per annum.
- 25 21 to 24 In places of 50,000 inhabitants or over, banks shall not be organized with less than \$250,000 capital.
  - In places of over 6,000 and under 50,000 people, not less than \$100,000 capital.
  - In places of over 3,000 and under 6,000 people, not less than \$50,000 capital.
  - In places of less than 3,000 people, not less than \$25,000 capital.
- 26 12 to 15 Banks may establish branches, etc.
- 27 9 to 13 Examiners to have fixed salaries.
- 27 14 to 25 Concerning examiners.
- 28 1 to 3
- 29 4 to 11 Comptroller shall dissolve all national banking associations that *fail to comply* within one year with **ANY SINGLE provision of this act.**
- 31 16 to 18 Repealing sections.

Page. Line.

## GENERAL PROVISIONS.

2 11 to 14 \$25,000 banks in places of less than 4,000 inhabitants.  
2 15 to 20 Capital means "PAID IN CAPITAL, SURPLUS, AND UNDIVIDED PROFITS."  
9 21 to 24 After transition is completed banks SHALL KEEP their  
10 1 to 3 "cash reserve," as nearly as may be, in equal parts of gold coin, silver coin, and "greenbacks of other banks."  
19 15 to 20 Any average deficiency in the average total reserve a bank is required to keep, for any month, is taxed at the rate of 6 per cent per annum.  
22 4 to 25 Tax imposed on the deposits of all "commercial banks"  
23 1 to 11 that fail to organize under the act, or fail to assume their share of greenbacks, of one-tenth of 1 per cent per annum (that they may be induced to assume their fair share of the obligation of maintaining parity).  
23 12 to 20 All commercial banking associations other than national  
24 1, 2 banks, assuming greenbacks, are to make reports to the Comptroller and be examined by national bank examiners.  
24 3 to 14 Associations may require from depositors thirty days' notice of intention to withdraw "deposits" upon which interest is paid for more than seven days, but this does not apply to "that part of the reserves of banks which they are allowed to deposit in other banks."  
24 15 to 17 Section 13 goes into effect the first day of the calendar quarter next succeeding the four months next succeeding the passage of the act.  
24 18 to 24 All taxes imposed are due and payable on April 1 and October 1.  
25 1 to 6 All moneys collected under the act to be paid into the Treasury as a "miscellaneous receipt." Treasurer to keep separate account of all moneys received and all moneys paid out under each section of this act.  
27 22 to 24 Bank examiners are employees of the Department of the  
28 1, 2 Comptroller.

**EXPENSES, ETC., OF BANKS IN CENTRAL RESERVE CITIES  
COMPARED WITH BANKS IN TEN SMALL TOWNS AS TO  
ITEMS OF BANK FUNDS AND AS TO PERCENTAGE OF  
EXPENDITURES TO VARIOUS FUNDS, ETC.**

**CENTRAL RESERVE CITIES.**

Paid-in capital.....	\$76,700,000.00
Surplus and other profits.....	73,096,619.89
Actual capital .....	149,796,619.89
Deposits.....	645,633,468.73
Circulation .....	18,652,022.50
Total .....	814,082,111.12
Annual expenses and taxes.....	12,640,059.13
Minimum United States bonds required.....	3,650,000.00
	Per cent.
Per cent of expenses to paid-in capital.....	16.48
Per cent of expenses to actual capital .....	8.44
Per cent of expenses to bank funds.....	1.55
Percentage of bonds to paid-in capital.....	4.76
Percentage of bonds to actual capital.....	2.44
Percentage of bonds to bank funds.....	0.45

**TEN SMALL TOWNS.**

Paid-in capital.....	\$930,000.00
Surplus and other profits.....	543,000.00
Actual capital .....	1,473,000.00
Deposits.....	1,914,829.78
Circulation .....	460,580.00
Total .....	3,848,409.00
Annual expenses and taxes.....	65,424.00
Minimum United States bonds required .....	232,500.00
	Per cent.
Per cent of expenses to paid-in capital.....	7.04
Per cent of expenses to actual capital .....	4.44
Per cent of expenses to bank funds.....	1.61
Percentage of bonds to paid-in capital.....	25.0
Percentage of bonds to actual capital.....	15.78
Percentage of bonds to bank funds.....	6.04

TREASURY DEPARTMENT,  
OFFICE OF THE COMPTROLLER OF THE CURRENCY,  
*Washington, D. C., August 22, 1898.*

**Hon. J. H. WALKER,**  
*Chairman Committee on Banking and Currency:*

*Statement showing the amount of expenses and taxes paid by the national banks located in the central reserve cities of New York, Chicago, and St. Louis, as shown by the semi-annual reports of earnings and dividends as made to the Comptroller of the Currency for the year ending September 1, 1897.*

SEPTEMBER 1, 1896, TO MARCH 1, 1897.

Expenses and taxes.

New York City .....	\$4, 885. 142. 08
Chicago .....	1, 185, 791. 88
St. Louis .....	477, 888. 58
	<u>\$6, 548, 822. 54</u>

MARCH 1, 1897, TO SEPTEMBER 1, 1897.

Expenses and taxes.

New York City .....	\$4, 515, 296. 63
Chicago .....	1, 183, 892. 26
St. Louis .....	392, 047. 70
	<u>\$6, 091, 236. 59</u>

Total for year ending September 1, 1897 .....

12, 640, 059. 13

TREASURY DEPARTMENT,  
OFFICE OF THE COMPTROLLER OF THE CURRENCY,  
*Washington, D. C., July 29, 1898.*

**Hon. J. H. WALKER,**  
*New Hampton, N. H.*

SIR: In compliance with your request of July 26, I inclose herewith a statement showing the expenses and taxes, during six months, of ten banks, "located in the smallest places in which there is a single bank, having capital, surplus, and undivided profits of, approximately, \$145,000 to \$155,000."

Very respectfully,

CHARLES G. DAWES, *Comptroller.*

Actual average capital .....	\$147, 300. 00
Average annual expenses.....	6, 542. 40

State.	Bank.	Popula- tion.	Capital.	Surplus and profits.	Expenses and taxes last six months.	Individual deposits, report of 1896.
Delaware .....	Milford First National Bank ..	1, 300	\$60, 000	\$96, 000	\$2, 966	\$807, 254. 81
Indiana.....	Rising Sun, National Bank of ..	1, 800	100, 000	42, 000	3, 091	84, 075. 55
Massachusetts .....	Natick, National Bank of .....	1, 000	100, 000	42, 000	4, 401	823, 616. 47
New Jersey .....	Medford, Burlington County ..	1, 000	100, 000	46, 000	1, 776	103, 701. 19
New York.....	New Paltz, Huguenot National Bank.	1, 200	100, 000	41, 000	4, 016	163, 510. 59
Do.....	Pine Plains, Stissing National Bank.	700	90, 000	52, 000	2, 698	109, 845. 70
Do.....	Warwick First National Bank ..	1, 700	100, 000	50, 000	3, 655	176, 276. 82
Pennsylvania.....	Ambler First National Bank ..	1, 100	100, 000	55, 000	3, 988	220, 864. 02
Do.....	Burgettstown, Burgettstown National Bank.	1, 000	80, 000	74, 000	2, 350	225, 599. 50
Do.....	Kennett Square, National Bank of.	1, 500	100, 000	45, 000	3, 771	200, 085. 63
	Total .....		930, 000	543, 000	32, 712	1, 914, 829. 78

## THE CLEARING HOUSES IN THE COUNTRY.

[Statement prepared by the chairman of the committee.]

The clearing house has become indispensable to the conduct of the business of banking. Each bank, large or small, country or city, is indissolubly connected with other banks, and through them, if not directly, with the clearing house. The efficiency of a bank is very largely dependent upon the clearing house. Only through clearing houses can the equality and independence of banks be preserved or their highest efficiency attained.

It is as necessary to banks to have incorporated clearing houses as it is to business firms and corporations to have incorporated banks. The incorporation of neither is absolutely necessary. In fact, a large part of banking is done by private firms, but only by reason of the existence of banking "corporations" are they successful. All the banking of the world, or of the country, could not be done outside of the obligations and responsibility imposed in fixed legal rules and the control of banks by positive corporation law. Whatever may be the appearances to the contrary, a bank can not exist by itself alone in this stage of commercial development, like a cotton or woolen factory, which is all the more reason for uniform regulation and control of banks by law.

Of seventy-six clearing houses given on page 551 of volume 1, Report of the Comptroller of the Currency for 1897, I have examined the constitution and by-laws of fifty-five at hand, and herein indicate the main provisions of all taken together. I see no reason why each one of these clearing houses could not continue, if incorporated under the Walker bill (H. R. 10333), the doing of its business in such manner as it has chosen for itself and without any substantial alteration of its constitution or by-laws. Of course, the advantages of a broader field and the security of more definite rules, by many of them, are so obvious, it is believed they would soon enter upon a broader and at the same time equally conservative action. There are no substantial provisions in the regulations of any of the fifty-five examined not given under the name of some one of them. None contains any substantial provisions not enumerated under the name of some one of those mentioned. Some forbid what others require, according to the volume or kind of business they do.

ST. LOUIS, MISSOURI.

Article 1, section 1. "The object of the association shall be the effecting, at one place, of the daily exchanges between the several associated banks and bankers, \* \* \* and the fostering and promoting of sound conservative banking; \* \* \* the regulating of exchanges, the fixing of minimum rates to be charged on outside drafts and collections," etc.

Section 3. The committee of management shall have power to suspend any bank by unanimous vote \* \* \* but shall forthwith call a meeting of the association to consider such suspension, etc.

Section 8. The action of the clearing house is only that of an agent, and in no case shall this association be held responsible for any loss that may occur by reason of its action.

Section 11. Whenever any member of the association shall send and receive through the clearing house the exchanges of any bank in the city or vicinity who are not members, such sending and receiving shall ipso facto and without further notice constitute said member the agent for said bank at the clearing house, etc.

Section 13. A standing committee of five bank officers or bankers shall be elected, to be called a committee of arbitration, whose duty it shall be to hear and determine all disputes that may be submitted to it by both parties thereto. \* \* \* A majority decision shall be valid.

Section 15. No member shall be added to this association having a paid-up capital of less than \$500,000.

Section 17. Shall pay an entrance fee of \$1,000 and in addition its several assessments for expenses.

Article 2, section 1. Each member of the association shall furnish the manager a sworn statement of its condition as often as five times each year \* \* \* and at such other times and of such date as the clearing-house committee may require. \* \* \*

The following shall be regarded as cash reserve, viz:

Balances due from other banks payable on sight draft,

Silver,

Gold,

Legal tenders,

National-bank notes,

Gold and silver certificates,

Amount due United States Treasurer,

Clearing-house loan certificates.

Section 2. Upon a vote of four-fifths of the members of this association a committee of five shall be elected by the association, who may receive from banks, members of the association, bills receivable and other securities to be approved by it, and shall be authorized to issue therefor to such depositing bank loan certificates to an amount not to exceed 75 per cent of the face value of the securities or bills receivable so deposited, etc.

#### ROCHESTER, NEW YORK.

Section 24. No member of this association shall clear for any other institution or banking firm not a member.

#### BUFFALO, NEW YORK.

Section 7. Any bank, after one day's notice of a hearing before the association, may be expelled from the association and debarred from all the privileges of the clearing house by a four-fifths vote of the whole number of associated banks.

Section 8. The clearing-house committee, acting in concurrence with the arbitration committee, may cause an examination to be made of any bank member of the association \* \* \* and shall have power to suspend any bank, etc.

Section 19. Balances shall be paid in—

United States Treasury certificates.

United States legal-tender notes.

National-bank notes.

Gold coin.

Gold certificates.

Silver certificates.

Section 25. This association shall receive \* \* \* on special trust such United States gold coin as any member \* \* \* may choose to send to it for safe-keeping, for clearing-house purposes; \* \* \* certificates in exchange for such coin shall be issued to the depositing bank in denominations of \$5,000, etc., \* \* \* negotiable only among banks, members of the association, etc.

Section 26. Each bank member of the clearing-house association shall furnish the manager a weekly statement of its condition, signed by its officers, on uniform blanks provided by the association, \* \* \* for the private use of each member, showing the average amount of—

1. Loans and discounts.
2. Deposits.
3. Due from banks.
4. Checks for next day's exchanges.
5. Clearing-house gold certificates.
6. All other currency.
7. Rediscounts.

#### BALTIMORE, MARYLAND.

Section 5. The executive committee are authorized to take into consideration and investigate any and all matters affecting and pertaining to the banking interests of the city which may be referred to them in writing by this association or any member thereof; to report to the association such recommendation in the case as they may deem wise and proper. Whenever they consider it for the interests of the association they are empowered to require from any member securities of such an amount and character as they deem sufficient for the protection of the balances resulting from exchanges at the clearing house. State banks, members of the clearing-house association, shall be examined in the same manner as national banks and by the national-bank examiner, etc.

Section 6. Be a depository of such moneys as any associated bank may desire, shall remain a special deposit for safe-keeping, and issue therefor certificates in concurrent amounts, etc.

Section 7. The compensation to the depositing bank shall be paid by the several banks in proportion to their respective capitals, at the rate of 30 cents per annum on each \$1,000 of capital stock.

#### SAN FRANCISCO, CALIFORNIA.

Article 14. The debtor banks shall pay to the manager at the clearing house in

Gold coin,  
Clearing-house certificates it has issued, or  
Gold certificates.

#### CHICAGO, ILLINOIS.

Section 20. All moneys paid in shall be in

Gold coin,  
Legal-tender notes,  
Treasury certificates,  
National-bank notes,  
Its own clearing-house certificates.

WASHINGTON, DISTRICT OF COLUMBIA.

Article 16. The clearing-house committee shall have full power and authority at any time to direct an examination, by any three of its members, into the affairs and condition of any member \* \* \* for the use and information of the other members of the association, but to be otherwise confidential.

LEXINGTON, KENTUCKY.

Article 11. No money shall pass through the clearing house in making the exchanges. [Persons unfamiliar with banking will find such "clearings" are fully described in a monograph on Money, Trade, and Banking, by J. H. Walker: Houghton, Mifflin & Co., Boston.]

SALT LAKE CITY, UTAH.**Article 3. The members are:**

Wells, Fargo & Co.,  
The Deseret National Bank,  
W. S. McCormick & Co.,  
T. E. Jones & Co.,  
The Union National Bank,  
The Commercial National Bank,  
Utah Commercial and Savings Bank,  
State Bank of Utah,  
National Bank of the Republic,  
Bank of Commerce,  
Utah National Bank.

FORT WORTH, TEXAS.

Section 8. Debtor banks shall pay to the manager of the clearing house the balances due from them either in

Gold coin,  
United States notes, or  
National-bank bills.

KNOXVILLE, TENNESSEE.

Section 17. Applications for membership must state, if a bank, its capital; if a private banking house, names of individual partners, name of person authorized to sign, etc.

NORFOLK, VIRGINIA.

Section 12. The balances due the clearing house shall be paid in

Currency or  
Gold coin,

and shall be put up in packages of \$500, etc.

Section 13. The executive committee shall require from each member of the association securities of such amount and character as said committee may deem sufficient for the protection of balances resulting, etc., or other satisfactory guaranties.

Section 15. Be a depository to receive in special trust such currency as any of the members may choose to send to it for safe-keeping.

## DAYTON, OHIO.

Section 14. The expenses of the clearing house shall be paid equally by each member of the association.

## PORTLAND, MAINE.

Article 13. The debtor banks shall pay to the manager of the clearing house in

Gold coin, or in its own  
Clearing-house certificates,  
the balances due, etc.

Article 15. Gold coin of the quantities of \$20,000, \$10,000, and \$5,000, for the payment of balances, shall be brought in sealed bags, etc.

Article 17. Clearing-house certificates payable in  
Gold coin.

## WILMINGTON, DELAWARE.

Section 9. The character of the funds to be used in payment of balances to or from the clearing house will be Philadelphia or New York exchange, excepting for amounts less than \$1,000, which may be in currency, at the option of the payers.

## SYRACUSE, NEW YORK.

Article 3, section 2. Private bankers \* \* \* may be admitted to membership by a two-thirds vote.

## LOUISVILLE, KENTUCKY.

Article 10. Each member of the association shall furnish the manager, on the first Monday of each month, a statement in tabular form of the averages for the month previous of its

Capital,  
Surplus,  
Loans,  
Cash on hand,  
Eastern exchange,  
Due from banks other than Eastern,  
Bills payable,  
Rediscounts,  
Deposits,

which shall be open to the principal officers of any member.

## KANSAS CITY.

Section 7. May examine any bank belonging to the clearing house and require any and all members to deposit \* \* \* securities of such an amount and character as shall be satisfactory to the clearing house for the purpose of securing any debt balance that may occur in the adjustment of clearances against the member making such deposit, etc. \* \* \* Shall receive bills receivable and other securities \* \* \* and issue therefor \* \* \* loan certificates to an amount not exceeding 85 per cent, etc.

Section 15. For cause deemed sufficient by the associated banks, any bank may be expelled from the association and debarred from all the privileges of the clearing house, by a majority vote, at any meeting of the association.

By-laws, section 11. Each member of the association shall furnish as often as five times a year a sworn statement of its condition, \* \* \* and at such other times and of such dates as the clearing house may require, \* \* \* open to the inspection of members only.

NEW YORK, NEW YORK.

Section 2. Acts as an agent only.

Section 8. May examine any bank member of the association. May require security of such amount and character, etc.

Section 16. Every bank member shall furnish a weekly statement of its condition, etc., for publication, showing the average amount of—

1. Loans and discounts.
2. Specie.
3. Legal-tender notes.
4. Circulation.
5. Deposits.

Section 17. May receive by an appointed bank in special trust  
Coin or

United States legal-tender notes

from any association for safe-keeping, or may appoint the assistant treasurer of the United States at New York a depositary, etc.; certificates to be issued in exchange for such deposit, negotiable among members only.

Section 21. Standing committee may suspend any bank, but must immediately call a meeting of the association to act on the case, etc.

Page 11, resolution of April 8, 1872. That the clearing-house committee be, and is hereby, directed, whenever it appears, in its judgment, that legal-tender notes have been withdrawn from use through the agency of any bank, member of the association, to make an immediate examination of the bank in question, and should there appear to be complicity on the part of the bank or its officers, to suspend said bank from the clearing house until action of the association shall be taken thereon.

Page 13. Adopted February 14, 1872.

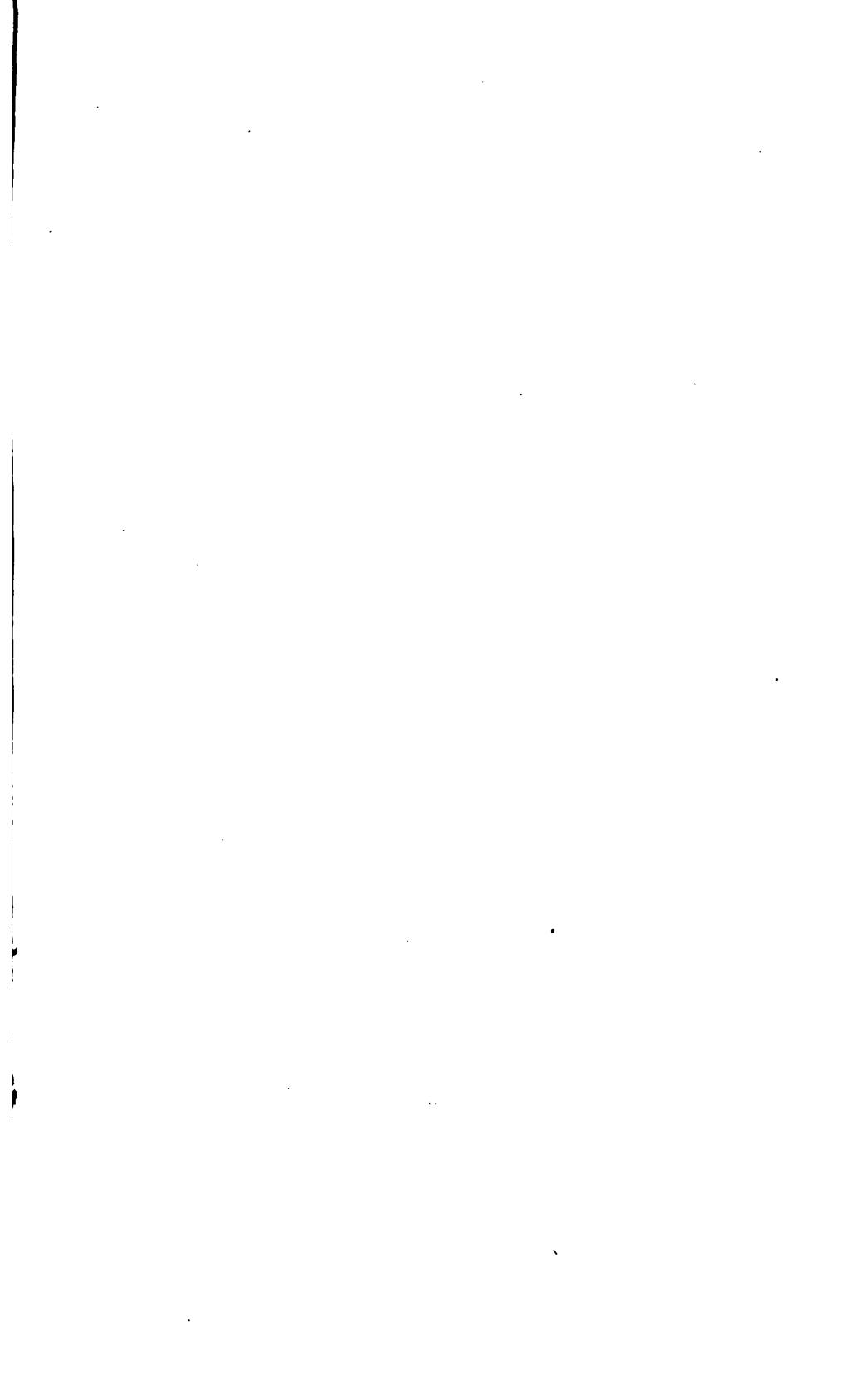
1. The New York Clearing House Association or any members thereof may unite for the purpose of clearing checks payable in gold.

6. The adoption of this system shall not prohibit any bank from presenting gold checks for payment to the banks on which they are drawn, etc.

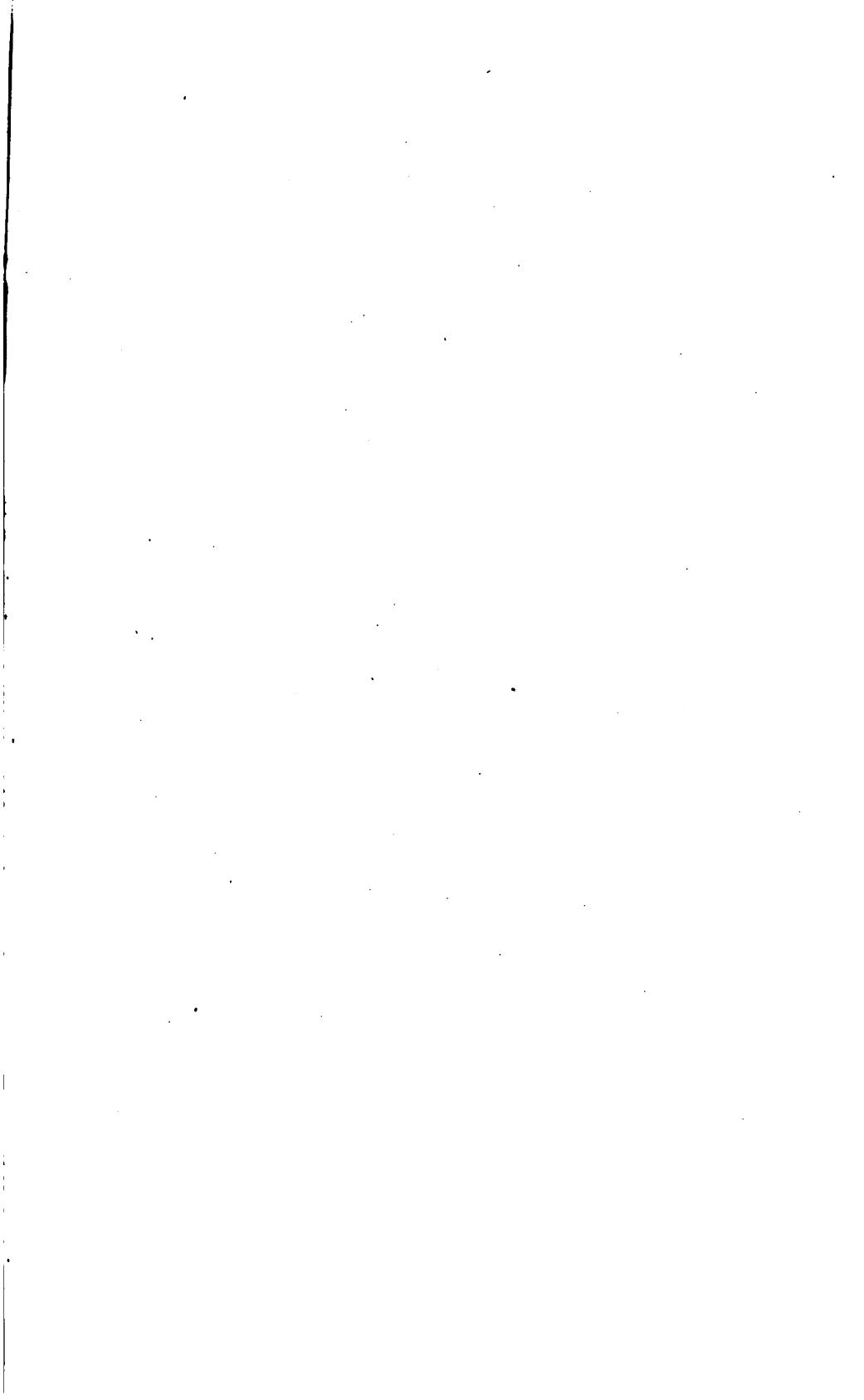
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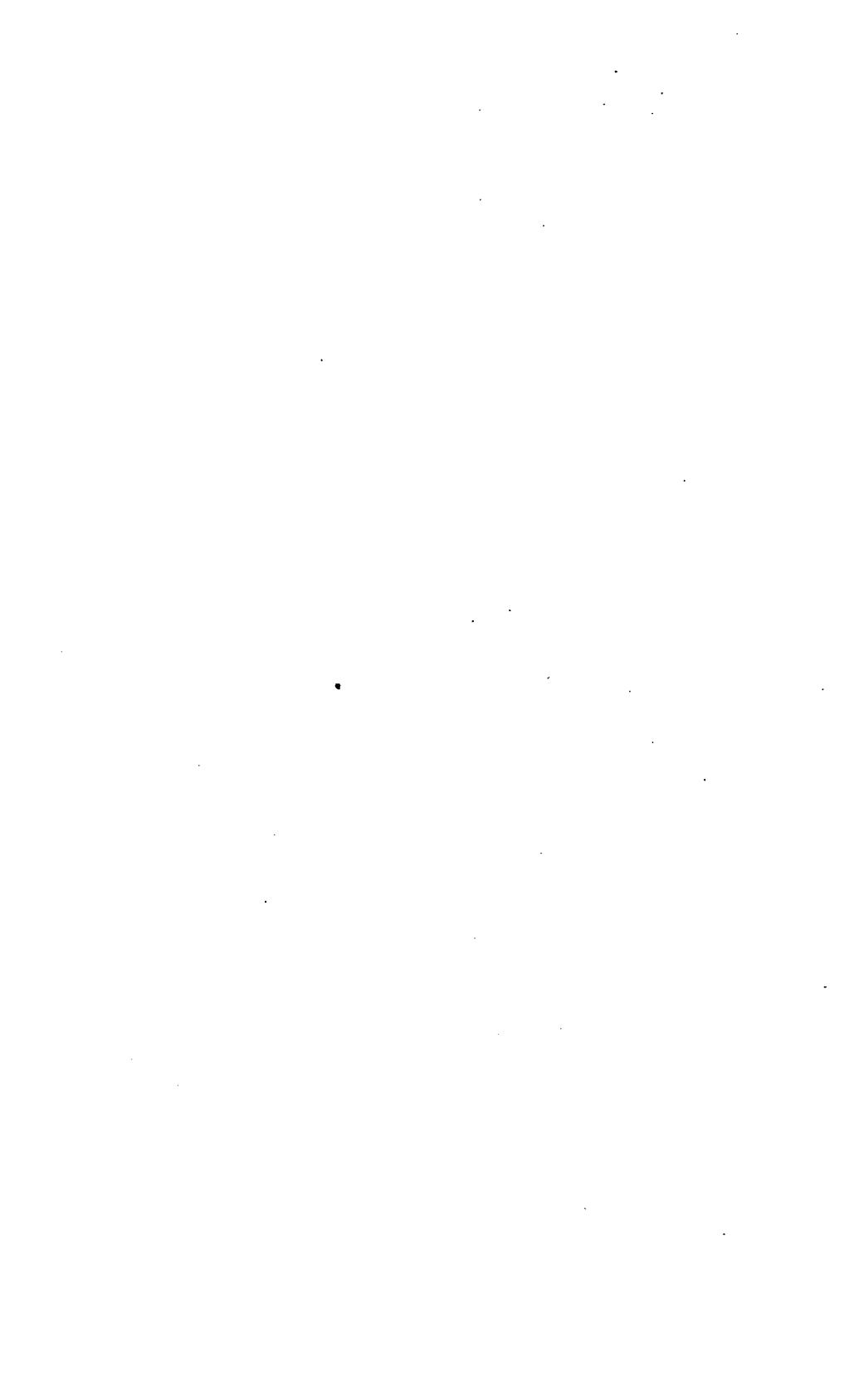












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